

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Financial Statements and Independent Auditors' Report  
2021 and 2020  
(Stock Code 3357)

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Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report

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Tai-Tech Advanced Electronics Co., Ltd.  
Consolidated Financial Statements of Affiliated Enterprises

The entities that are required to be included in the combined financial statements of the Company as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Financial Statements of Affiliated Enterprises and Consolidated Business Reports are the same as those required to be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10 “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is already covered in the consolidated financial statements of Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries. As such, we do not prepare a separate set of combined financial statements.

Represented by

Tai-Tech Advanced Electronics Co., Ltd.

Responsible Person: Ming-Yen Hsieh

February 25, 2022

## Independent Auditor's Report

(111) Caishenbaozi No. 21003908

To Tai-Tech Advanced Electronics Co., Ltd.

### **Opinion**

We have audited the consolidated financial statements of Tai-Tech Advanced Electronics and Subsidiaries (referred to as the "Group" hereinafter), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years January 1 through December 31, 2021 and 2020 ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and consolidated cash flows for the years January 1 through December 31, 2021 and 2020 ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) that were endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the section titled "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" in our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and,

in forming our opinion thereon. As such, we do not provide a separate opinion on these matters.

The key audit matters for the Group's consolidated financial statements for the year ended 2021 are stated as follows:

## **Valuation of allowance for inventory valuation losses**

### Description

Refer to Notes 4(12), 5(2), and 6(3) for the accounting policy, significant accounting estimates and assumptions, and details pertaining to inventory valuation. As of December 31, 2021, the balance of the Group's inventory and allowance for inventory valuation loss was NT\$884,790 thousand and NT\$36,696 thousand, respectively.

The Group mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products. Since the value of inventory is subject to market price fluctuation and its lifetime, the risk of becoming obsolete is relatively high. In addition, since the valuation process usually involves subjective judgments, the uncertainty in accounting estimates is high. As such, we determine the valuation of the allowance for inventory valuation loss as one of the key audit matters.

### Responsive Audit Procedures

We perform the following procedures for the inventory that is ageing and individually obsolete:

1. Based on our understanding of the Group, we assess the reasonableness of the policy and procedures pertaining to provision of inventory valuation allowance, including using the historical information to assess the reasonableness of the extent to which inventory is reduced, and of the accounting policy for inventory valuation allowance.
2. We review the Group's annual inventory counting plan and observe how well inventory is counted and inventory counting is managed, so as to assess the effectiveness of the management identifying and controlling obsolete inventory.
3. We verify the accuracy of information on the Group's statements regarding inventory aging and reduction, so as to ascertain the consistency of statements information with its policy.
4. We examine and check the accuracy of calculation of inventory valuation loss, and the appropriateness of allowance for inventory valuation loss.

## **Other Matters – Standalone Financial Statements**

We have also audited the standalone financial statements of Tai-Tech Advanced Electronics for the years ended 2021 and 2020, for which we have issued an independent auditor's report with an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists in the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and contents of, and the notes to, the consolidated financial statements, and whether the consolidated financial statements fairly present the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit; we remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,

including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Tai-Tech Advanced Electronics Group for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Yen-na Li

CPA

Wei-hao Wu

Former Financial Supervisory Commission and Securities and Futures  
Bureau of the Executive Yuan

Official Approval Letter No.: Jin Guan Zheng Liu Zi No. 0950122728

Financial Supervisory Commission

Official Approval Letter No.: Jin Guan Zheng Shen Zi No. 1080323093

February 25, 2022

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2021 and 2020

Unit: NT\$1,000

ASSETS	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>CURRENT ASSETS</b>						
1100	Cash and cash equivalents	6 (1)	\$ 1,341,004	14	\$ 767,619	12
1136	Financial assets at amortized cost -current	6 (1)	-	-	167,040	3
1150	Notes receivable, net	6 (2)	64,858	1	28,906	-
1170	Accounts receivable, net	6 (2)	2,182,566	23	1,637,463	27
1180	Accounts receivable from related parties, net	6 (2) and 7	207,195	2	114,791	2
1200	Other receivables	7	14,909	-	14,168	-
1220	Current tax assets	6 (23)	24,312	-	-	-
130X	Inventory	6 (3)	848,094	9	588,302	10
1410	Prepayments		35,013	-	22,641	-
1470	Other current assets		83	-	6	-
11XX	<b>Total current assets</b>		<u>4,718,034</u>	<u>49</u>	<u>3,340,936</u>	<u>54</u>
<b>NONCURRENT ASSETS</b>						
1517	Financial assets at fair value through other comprehensive income - noncurrent	6 (4)	233,817	2	191,847	3
1600	Property, plant and equipment	6 (5) and 8	4,503,865	47	2,539,871	41
1755	Right-of-use assets	6 (6) and 7	41,841	1	36,211	1
1780	Intangible assets		46,296	1	17,530	-
1840	Deferred tax assets	6 (23)	31,296	-	8,514	-
1900	Other noncurrent assets	6 (7)	30,343	-	40,936	1
15XX	<b>Total noncurrent assets</b>		<u>4,887,458</u>	<u>51</u>	<u>2,834,909</u>	<u>46</u>
1XXX	<b>Total assets</b>		<u>\$ 9,605,492</u>	<u>100</u>	<u>\$ 6,175,845</u>	<u>100</u>

(Continued)

**Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries**  
**Consolidated Balance Sheets**  
**December 31, 2021 and 2020**

Unit: NT\$1,000

LIABILITIES AND EQUITY	Note	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
<b>CURRENT LIABILITIES</b>						
2100	Short-term borrowings	6 (8)	\$ 415,794	4	\$ 697,535	11
2110	Short-term bills payable	6 (9)	20,000	-	130,000	2
2150	Notes payable		193,029	2	56,755	1
2170	Accounts payable		858,528	9	568,295	9
2180	Accounts payable to related parties	7	1,224	-	3,124	-
2200	Other payables	6 (10) and 7	943,487	10	581,267	10
2230	Current tax liabilities	6 (23)	92,488	1	60,210	1
2280	Lease liabilities - current	7	6,557	-	3,575	-
2320	Current portion of long-term borrowings	6 (11)	37,733	1	67,000	1
21XX	<b>Total current liabilities</b>		<u>2,568,840</u>	<u>27</u>	<u>2,167,761</u>	<u>35</u>
<b>NONCURRENT LIABILITIES</b>						
2540	Long-term borrowings	6 (11)	565,689	6	270,000	5
2570	Deferred tax liabilities	6 (23)	211,895	2	138,855	2
2580	Lease liabilities - noncurrent	7	7,497	-	3,940	-
2640	Net defined benefit liabilities - noncurrent	6 (12)	14,762	-	14,652	-
2670	Other noncurrent liabilities - others		14,218	-	14,753	-
25XX	<b>Total noncurrent liabilities</b>		<u>814,061</u>	<u>8</u>	<u>442,200</u>	<u>7</u>
2XXX	<b>Total liabilities</b>		<u>3,382,901</u>	<u>35</u>	<u>2,609,961</u>	<u>42</u>
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>						
	Share capital	6 (14)				
3110	Common shares		1,031,340	11	910,000	15
	Capital surplus	6 (15)				
3200	Capital surplus		1,886,687	19	123,523	2
	Retained earnings	6 (16)				
3310	Legal reserve		433,232	5	360,404	6
3320	Special reserve		76,642	1	89,991	1
3350	Unappropriated earnings		2,811,137	29	2,096,231	34
	Other equity	6 (17)				
3400	Other equity		( 16,447 )	-	( 14,265 )	-
3XXX	<b>Total equity</b>		<u>6,222,591</u>	<u>65</u>	<u>3,565,884</u>	<u>58</u>
	Significant Commitments or Contingency	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 9,605,492</u>	<u>100</u>	<u>\$ 6,175,845</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000  
(Except Earnings Per Share)

Item	Note	2021		2020	
		Amount	%	Amount	%
4000					
5000					
5900					
6100					
6200					
6300					
6450					
6000					
6900					
<b>NON-OPERATING INCOME AND EXPENSES</b>					
7100					
7010					
7020					
7050					
7000					
7900					
7950					
8200					
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>					
<b>Other comprehensive income/(loss) for the year, net of income tax</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311					
8316					
8310					
<b>Items that may be reclassified subsequently to profit or loss</b>					
8361					
8360					
8300					
8500					
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>					
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO</b>					
8610					
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>					

	ATTRIBUTABLE TO:				
8710	Shareholders of the Parent	<u>\$</u>	<u>1,195,052</u>	<u>19</u>	<u>\$</u>
					<u>803,992</u>
					<u>18</u>
	EARNINGS PER SHARE				
				6 (24)	
9750	Basic earnings per share attributable to shareholders of the parent	<u>\$</u>	<u>12.08</u>	<u>\$</u>	<u>\$8.07</u>
9850	Diluted earnings per share attributable to shareholders of the parent	<u>\$</u>	<u>11.99</u>	<u>\$</u>	<u>8.01</u>

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

**Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**January 1 through December 31, 2021 and 2020**

Unit: NT\$1,000

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

	Note	Capital surplus			Retained earnings			Other equity		Total equity	
		Common shares	Capital surplus - additional paid-in capital	Capital surplus - changes in ownership interests in subsidiaries	Capital surplus - net assets from merger	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating the financial statements of foreign operations		Unrealized gain/(loss) on financial assets at fair value through other comprehensive income
<b>2020</b>											
Balance at January 1, 2020		\$ 910,000	\$ 200,124	\$ 12,353	\$ 2,046	\$ 316,130	\$ 76,642	\$ 1,580,288	(\$ 214,279)	\$ 124,288	\$ 3,007,592
NET PROFIT/(LOSS) FOR 2020		-	-	-	-	-	-	734,671	-	-	734,671
Other comprehensive income/(loss) for 2020	6 (17)	-	-	-	-	-	-	(6,405)	34,123	41,603	69,321
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2020		-	-	-	-	-	-	728,266	34,123	41,603	803,992
Appropriation of earnings	6 (16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	44,274	-	(44,274)	-	-	-
Special reserve		-	-	-	-	-	13,349	(13,349)	-	-	-
Cash dividends		-	-	-	-	-	-	(154,700)	-	-	(154,700)
Capital surplus distributed in cash		-	(91,000)	-	-	-	-	-	-	-	(91,000)
Balance at December 31, 2020		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
<b>2021</b>											
Balance at January 1, 2021		\$ 910,000	\$ 109,124	\$ 12,353	\$ 2,046	\$ 360,404	\$ 89,991	\$ 2,096,231	(\$ 180,156)	\$ 165,891	\$ 3,565,884
NET PROFIT/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,065	-	-	1,197,065
Other comprehensive income/(loss) for 2021	6 (17)	-	-	-	-	-	-	169	(18,641)	16,459	(2,013)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR 2021		-	-	-	-	-	-	1,197,234	(18,641)	16,459	1,195,052
Appropriation of earnings	6 (16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	72,828	-	(72,828)	-	-	-
Special reserve		-	-	-	-	-	(13,349)	13,349	-	-	-
Cash dividends		-	-	-	-	-	-	(422,849)	-	-	(422,849)
Issuance of common shares for cash	6 (14)	121,340	1,718,514	-	-	-	-	-	-	-	1,839,854
Compensation costs - the portion of common shares issuance reserved for employee subscription	6 (13)	-	44,650	-	-	-	-	-	-	-	44,650
Balance at December 31, 2021		\$ 1,031,340	\$ 1,872,288	\$ 12,353	\$ 2,046	\$ 433,232	\$ 76,642	\$ 2,811,137	(\$ 198,797)	\$ 182,350	\$ 6,222,591

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before income tax		\$ 1,391,313	\$ 869,418
Adjustments			
Adjustments for income and expenses			
Expected credit loss recognized/(reversed)	12 (2)	20,119	( 15,107 )
Depreciation (including right-of-use assets)	6 (21)	392,586	304,725
Amortization	6 (21)	4,369	1,843
Gain on disposal of property, plant, and equipment	6 (20)	( 1,343 )	( 909 )
Impairment loss recognized on property, plant, and equipment	6 (20)	-	3,889
Interest income		( 4,428 )	( 3,076 )
Dividends income	6 (19)	( 18,352 )	( 12,849 )
Interest expenses		7,058	10,575
Compensation costs - share-based payments	6 (13)	44,650	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 35,952 )	24,320
Accounts receivable		( 565,216 )	( 363,109 )
Accounts receivable due from related parties		( 92,404 )	( 19,595 )
Other receivables		( 741 )	( 2,876 )
Inventory		( 259,792 )	( 78,553 )
Prepayments		( 12,372 )	15,155
Other current assets		( 77 )	-
Changes in operating liabilities			
Notes payable		6,470	( 82,212 )
Accounts payable		290,233	132,830
Accounts payables to related parties		( 1,900 )	( 16,574 )
Other payables		172,568	140,261
Net defined benefit liabilities		279	245
Other noncurrent liabilities		( 2,175 )	( 1,848 )
Cash generated from operating activities		1,334,893	906,553
Interest paid		( 7,058 )	( 10,575 )
Income tax paid		( 135,424 )	( 53,759 )
Net cash flows generated from operating activities		1,192,411	842,219

(Continued)

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 through December 31, 2021 and 2020

Unit: NT\$1,000

	Note	January 1 through December 31, 2021	January 1 through December 31, 2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest received		\$ 4,428	\$ 3,076
Dividends received		18,352	12,849
Acquisition of financial assets at fair value through other comprehensive income		( 26,162 )	-
Financial assets at fair value through other comprehensive income			
Capital surplus distributed in cash		123	378
Increase in financial assets at amortized cost		-	( 167,040 )
Decrease in financial assets at amortized cost		167,040	-
Acquisition of property, plant, and equipment	6 (25)	( 2,036,428 )	( 304,937 )
Proceeds from disposal of property, plant, and equipment		1,360	1,544
Acquisition of intangible assets		( 33,203 )	( 4,296 )
Increase in other noncurrent assets		-	( 36,178 )
Decrease in other noncurrent assets	6 (11)	10,593	-
Net cash flows used in investing activities		( 1,893,897 )	( 494,604 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		2,124,218	2,277,656
Repayments for short-term borrowings		( 2,401,559 )	( 2,216,901 )
Increase in short-term bills payable		-	10,000
Decrease in short-term bills payable		( 110,000 )	-
Repayment of the principal portion of lease liabilities		( 6,374 )	( 3,464 )
Increase in long-term borrowings		616,000	120,000
Repayment for long-term borrowings		( 349,578 )	( 108,286 )
Increase in guarantee deposits		1,640	-
Issuance of common shares for cash		1,839,854	-
Capital surplus distributed in cash	6 (15)	-	( 91,000 )
Cash dividends appropriated	6 (16)	( 422,849 )	( 154,700 )
Net cash generated from/(used in) financing activities		1,291,352	( 166,695 )
Exchange rate adjustments		( 16,481 )	4,487
Increase in cash and cash equivalents		573,385	185,407
Cash and cash equivalents - beginning balance		767,619	582,212
Cash and cash equivalents - ending balance		\$ 1,341,004	\$ 767,619

The accompanying notes are an integral part of the consolidated financial statements; please refer to them as well.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Consolidated Financial Statements  
Notes, 2021 and 2020

Unit: NT\$1,000  
(unless otherwise specified)

I. Company History and Business Scope

Tai-Tech Advanced Electronics (the “Company” hereinafter) was incorporated on November 2, 1992. The Company and its subsidiaries (collectively referred to as the “Group”) mainly engages in manufacturing and processing of electronic parts, magnetic cores, multilayer products, and other wire-wounds products, and act as an agent for domestic and foreign companies in terms of quotation, bidding, distribution, and import and export of the said products. The Company’s shares were listed on Taipei Exchange for trading on April 27, 2021.

II. Approval Date and Procedure of Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on February 25, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Effect of adoption of the newly issued or amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

New standards, interpretations, and amendments endorsed by FSC effective from 2021 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2021
Interest Rate Benchmark Reform—Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	January 1, 2021
Amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	April 1, 2021

Note: The FSC permits early application starting from January 1, 2021.

The Group has assessed the aforementioned standards and interpretations, and concluded that the do not have significant effects on the Group’s financial position and financial performance.

(II) Effects of Not Adopting the Newly Issued or Amended IFRSs Endorsed by the FSC

New standards, interpretations, and amendments endorsed by FSC effective from 2022 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Property, Plant, and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) Annual improvement to IFRS Standards 2018-2020 Cycle	January 1, 2022 January 1, 2022

The Group has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Group's financial position and financial performance.

(III) Effects of the IFRSs issued by IASB but not yet endorsed by the FSC

New standards and interpretations of and amendments to the IFRSs issued by IASB but not yet endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date Announced by IASB</u>
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined by IASB
IFRS 17 - Insurance Contracts	January 1, 2023
Amendments to IFRS 17 Insurance Contracts	January 1, 2023
Amendment to IFRS 17 Initial application of IFRS 17 and IFRS 9 — Comparative information	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or noncurrent"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	January 1, 2023

The Group has assessed the aforementioned standards and interpretations, and concluded that they do not have significant effects on the Group's financial position and financial performance.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(i) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") to the extent endorsed by the FSC.

(II) Preparation Basis

1. Except for the following significant accounts, the consolidated financial statements have been prepared under the historical cost convention:
  - (1) Financial assets at fair value through other comprehensive income
  - (2) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of the consolidated financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Consolidation Basis

1. Principles for preparing the consolidated financial statements
  - (1) All subsidiaries are included in the Group's consolidated financial statements.

Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries in the financial statements begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (2) Inter-company transactions, balances, and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Business nature	Shareholding percentage		Remarks
			December 31, 2021	December 31, 2020	
The Company	North Star International Limited	Investment	100%	100%	
The Company	Best Bliss Investments Limited	Investment	100%	100%	
Best Bliss Investments Limited	TAI-TECH Advanced Electronics (Kunshan)	Production, processing, and sale of electronic components	100%	100%	
Best Bliss Investments Limited	Fixed Rock Holding Ltd.	Investment	100%	100%	Note1
Best Bliss Investments Limited	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing, and sale of electronic components	7.48%	7.71%	
Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing, and sale of electronic components	92.52%	92.29%	Note2

Note1: In December 2021, Best Bliss Investments Limited injected USD1,000 thousand into Fixed Rock Holding Ltd.

Note2: In December 2021, Fixed Rock Holding Ltd. injected USD1,000 thousand into TAIPAQ Electronic Components (Si-Hong) Co., Ltd.

3. Subsidiaries not included in the consolidated financial statements

None.

4. Adjustments for subsidiaries with different accounting periods:

None.

5. Major restrictions:

The Group's cash and short-term deposits in the amount of RMB 83,541 thousand were deposited in China and subject to local foreign exchange control. Such foreign exchange control restricts fund from remitting out from China (except for regular dividends).

6. Subsidiaries with significant non-controlling interest for the Group:

None.

#### (IV) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Group's functional currency.

##### 1. Foreign currency transactions and balance

- (1) Foreign currency derived from transactions was translated into the functional currency using the spot exchange rate prevailing on the measurement date or the trade date, with the resulting exchange difference recognized as gain or loss.
- (2) The balance of monetary assets or liabilities denominated in foreign currency is adjusted by the exchange rate prevailing at the balance sheet date, with the resulting differences recognized as gain or loss.
- (3) Non-monetary assets or liabilities denominated in foreign currency are adjusted by the spot exchange rate on the balance sheet date, with the resulting difference recognized in profit or loss if they are measured at fair value through profit or loss, or in other comprehensive income if they are measured at fair value through other comprehensive income. If they are not measured at fair value, they are measured by applying the historical exchange rate on the transaction date.

##### 2. Translation of foreign operations financial statements

The results and financial position of entities within the Group whose functional currency is not the presentation currency are translated into the presentation currency using the following procedures:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- (2) income and expenses for each statement of comprehensive income (including comparatives) are translated at the average exchange rates for the period; and
- (3) all resulting exchange differences are recognized in other comprehensive income.

#### (V) Classification of Current and Noncurrent Assets and Liabilities

##### 1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Assets that are expected to be realized within 12 months after the balance sheet date;
- (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise they are classified as noncurrent assets.

##### 2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) They are held primarily for trading.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its transactions by the issue of equity instruments do not affect its classification.

Otherwise they are classified as noncurrent liabilities.

(VI) Cash Equivalents

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that fit the said definition and are intended to meet short-term operating cash commitments are classified as cash equivalents.

(VII) Financial Assets at Fair Value through Other Comprehensive Income

1. It means the Group made an irrevocable election upon initial recognition to recognize the fair value changes in equity instruments not held for trading at other comprehensive income.
2. The Group uses trade date accounting to account for financial assets at fair value through other comprehensive income that are an arm's length transaction.
3. They are measured initially at the fair value plus transaction costs and subsequently at fair value. If they are equity instruments, their fair value changes are recognized in other comprehensive income; upon derecognition, the accumulated gains or losses in other comprehensive income are not transferred to profit or loss, but to retained earnings. The Group recognizes dividend income in profit or loss when (a) the Group's right to the dividends is established; (b) the economic benefits associated with dividends are probable to flow to the Group; and (c) such dividends can be reliably measured.

(VIII) Financial Assets at Amortized Cost

1. Financial assets that simultaneously satisfy the following criteria are classified in this category:
  - (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  - (2) The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.
2. The Group recognizes its time deposits not qualified as cash equivalents at the investment amount because they are held for a short period of time and so have insignificant discount effect.

(IX) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable denote that the Group has unconditional right to the consideration, in the form of receivables or notes, for the goods and services transferred.
2. The Group measures short-term accounts receivable and notes receivables that do not bear an interest at the invoice value because they have insignificant discount effect.

(X) Impairment of Financial Assets

At the end of each reporting period, the Group considers financial assets at amortized cost, investments in debt instruments that are measured at fair value through other comprehensive income, and receivables (including significant financial components), and takes into consideration all reasonable and supporting information (including the forward-looking information). For financial assets of which the credit risk does not significantly increase since initial recognition, the Group recognizes an allowance equal to 12-month expected credit losses; for financial assets of which the credit risk significantly increases since initial recognition, the Group recognizes an allowance equal to the lifetime expected credit loss; for accounts receivables that do not contain significant financial components or plan assets, the Group recognizes an allowance equal to the lifetime expected credit loss.

(XI) Derecognition of Financial Assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

## (XII) Inventory

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

## (XIII) Property, Plant, and Equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance is recognized in profit or loss when accrued.
3. Property, plant, and equipment are subsequently measured at cost. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Property, plant, and equipment is depreciated individually if they contain any significant components.
4. The assets' residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 - 50 years
Machinery	3 - 12 years
Utilities equipment	5 - 15 years
Transportation equipment	4 - 5 years
Office equipment	4 - 10 years
Other equipment	2 - 12 years

## (XIV) Lease Transactions of a Lessee - Right-of-use Assets/Lease Liabilities

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the date when they are available for the Group's use. Low-value asset and short-term leases are recognized as expenses on a straight-line basis over the lease period.
2. The Group measures its lease liability at commencement date by discounting future lease payments using its incremental borrowing interest rate. Lease payments include:  
Fixed payments, less any lease incentives receivable, are measured in subsequent periods using the effective interest rate method and amortized over the lease term. When a change in lease payments occurs not due to contract modification, lease liability will be remeasured, with such remeasurements adjusted to right-of-use assets.
3. Right-of-use assets are recognized at costs at the inception of the lease. Cost includes:
  - (1) the initial lease liability measured;
  - (2) lease payments made before or at the inception of the lease;

- (3) any original direct costs incurred.

Right-of-use assets are subsequently measured at costs. Depreciation of right-of-use assets is recognized at the earlier of the end of the useful life and the end of the lease term. When a lease liability is remeasured, the Group adjusts the right-of-use asset for any remeasurements.

(XV) Intangible Assets

1. Computer software

Computer software is measured at the acquisition cost and amortized using the straight line method over its estimated useful life, which is 3-5 years.

2. Goodwill

Goodwill results from mergers or acquisition.

3. Patent

Patent is amortized over 2-13 years using the straight line method.

(XVI) Impairment of Non-financial Assets

1. The Group assesses at the end of reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell or its value in use, whichever is higher. When there is an indication that the impairment loss recognized in prior years for an asset other than goodwill decreases or no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.
2. The Group regularly measures the recoverable amount of goodwill, intangible assets with uncertain useful life, and intangible assets not available for use. Impairment is recognized when the recoverable amount is lower than the carrying amount. Impairment of goodwill is not reversed in subsequent periods.

(XVII) Borrowings

Borrowings mean short- and long-term loans borrowed from banks. Borrowings are initially recognized at the fair value less any transaction costs, and subsequently at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the borrowing period using the effective interest rate method.

(XVIII) Accounts Receivables and Notes Receivables

1. Accounts receivable and notes receivable are the debt incurred by credit purchase of raw materials, goods, or services and the notes receivables incurred by operating and non-operating activities.
2. The Group measures short-term accounts receivable and notes receivable that do not bear an interest at the invoice value because they have insignificant discount effect.

(XIX) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

(XX) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

## 2. Pension

### (1) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund from the plan or a reduction in future contributions to the plan.

### (2) Defined benefits plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The discount rate is determined by using the interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the defined benefit plans. If there is no deep market in such bonds in a country, the discount rate shall be the market yields on government bonds.

B. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

## 3. Employee compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the amount accrued and the amount actually distributed is accounted for as a change in accounting estimate. When employee compensation is appropriated in shares, the basis for calculating the number of shares shall be the closing price at the date before the date the Board of Directors resolves on the appropriation.

### (XXI) Employee Share-based Payments

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

### (XXII) Income Tax

1. The tax expense comprises current tax and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax charge is calculated by applying the taxable income to the tax rate specified in the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. Where appropriate, management also estimate income tax liabilities based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
6. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(XXIII) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are recognized in equity as a deduction from the proceeds.

(XXIV) Dividend Appropriation

Dividends appropriated to shareholders of the Company are recognized on the date the shareholders' meeting resolves on such appropriation. Appropriation in cash is recognized as liability.

(XXV) Revenue Recognition

Sale of goods

1. The Group manufactures and sells electronic parts, magnet cores, chip coils, and other wire-wounds. Sales revenue is recognized when the control of products is transferred to clients, i.e. when products are delivered to clients to be handled at their discretion and the Group has no further obligation not performed that may impact clients accepting the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the clients, and either the clients have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(XXVI) Government Grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant, and equipment are recognized as noncurrent liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(XXVII) Operating Segments

The information on operating segments is reported in a manner consistent with the way the internal management report is provided to management. The key operating decision makers are responsible for allocating resources to operating segments and evaluate their performance. The Group identifies the Board of Directors as its key operating decision markers.

V. Significant Account Judgments and Assumptions, and Primary Sources of Estimation Uncertainty

When preparing this consolidated financial statements, management has exercised their professional judgment to determine the accounting policies to be applied, and made accounting estimates and assumptions based on reasonable expectation as to how future events will hold for the circumstances that exist on the balance sheets date. The significant accounting estimates and assumptions being made may deviate from the actual outcomes and will be consistently measured and adjusted in accordance with historical experience and for other factors. Such estimates and assumptions may lead to the risk of significant adjustment being made to the carrying amount of the assets and liabilities on the balance sheet. Significant accounting judgments and the uncertainty in accounting estimates and assumptions are stated below:

(I) Significant Judgements in Applying Accounting Policies

None.

(II) Significant Accounting Estimates and Assumptions

Since inventory is measured at the lower of costs and the net realizable value, the Group needs to exercise judgment and estimates to determine the net realizable value of inventory at the balance sheet date. Since the value of inventory is subject to market price fluctuation and its lifetime, the Group evaluates the market selling price and value lost due to obsolescence of inventory at the balance sheet date, and writes down inventory costs to net realization value. Being based on the demands for products in a future period, the valuation estimate may significantly changes.

As of December 31, 2021, the carrying amount of the Group's inventory was \$848,094.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	\$ 2,685	\$ 2,133
Checking deposits and demand deposits	1,338,319	665,658
Time deposits	-	99,828
Total	<u>\$ 1,341,004</u>	<u>\$ 767,619</u>

1. Since the Group corresponds with multiple financial institutions with good credit quality to diversify credit risks, the risk of default is expected to be low.
2. The Group did not pledge any cash and cash equivalents as collaterals.
3. As of December 31, 2021 and 2020, the Group recognized \$0 and \$167,040, respectively, for time deposits originally due within three months that are presented as “financial assets measured at amortized cost - current”.

(II) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 64,858	\$ 28,906
Accounts receivable	\$ 2,206,234	\$ 1,640,982
Less: Loss allowance	( 21,866 )	( 1,753 )
Allowance for sales returns and discounts	( 1,802 )	( 1,766 )
	<u>\$ 2,182,566</u>	<u>\$ 1,637,463</u>
Accounts receivable due from related parties	\$ 207,284	\$ 114,880
Less: Allowance	( 89 )	( 89 )
	<u>\$ 207,195</u>	<u>\$ 114,791</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not yet due	\$ 2,367,154	\$ 64,858	\$ 1,745,811	\$ 28,906
Within 30 days	42,292	-	9,595	-
31-90 days	4,054	-	456	-
91-180 days	18	-	-	-
	<u>\$ 2,413,518</u>	<u>\$ 64,858</u>	<u>\$ 1,755,862</u>	<u>\$ 28,906</u>

The above aging analysis is based on the number of days past due.

2. The accounts receivable and notes receivable as of December 31, 2021 and 2020 all came from contracts with clients. In addition, the receivables arising from contracts with clients as of January 1, 2020 was \$1,426,384.
3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group’s notes receivable as of December 31, 2021 and 2020 were \$64,858 and \$28,906, respectively, and the amounts most representative of the credit risk exposed to the Group’s accounts receivable as of December 31, 2021 and 2020 were \$2,389,761 and \$1,752,254, respectively.
4. Credit risks associated with accounts receivable and notes receivable are stated in Note 12(2).

(III) Inventory

	December 31, 2021		
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 196,581	( \$ 9,641 )	\$ 186,940
Supplies	27,772	( 1,753 )	26,019
Work in progress	316,877	( 10,758 )	306,119

Finished products	294,521	( 11,435 )	283,086
Goods	49,039	( 3,109 )	45,930
Total	<u>\$ 884,790</u>	<u>( \$ 36,696 )</u>	<u>\$ 848,094</u>

	December 31, 2020		
	Costs	Allowance for inventory valuation	Carrying amount
Raw materials	\$ 114,669	( \$ 9,928 )	\$ 104,741
Supplies	19,092	( 2,142 )	16,950
Work in progress	217,500	( 9,253 )	208,247
Finished products	223,335	( 13,328 )	210,007
Goods	52,093	( 3,736 )	48,357
Total	<u>\$ 626,689</u>	<u>( \$ 38,387 )</u>	<u>\$ 588,302</u>

1. The inventory costs recognized as expenses by the Group in this period:

	2021	2020
Costs of inventory sold	\$ 4,034,819	\$ 3,003,836
Gain from price recovery of inventory	( 1,561 )	( 539 )
Others	( 3,541 )	15,214
	<u>\$ 4,029,717</u>	<u>\$ 3,018,511</u>

The net realizable value increased due to a constant digestion of inventory in 2021 and 2020.

2. The Group did not pledge any inventory as collaterals.

(IV) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Noncurrent:		
Equity instruments		
Shares listed on the stock exchange or the OTC market	\$ 33,195	\$ 7,156
Shares not traded on the stock exchange, the OTC market, or the emerging stock market	18,272	18,800
	<u>51,467</u>	<u>25,956</u>
Adjustments for change in value	182,350	165,891
Total	<u>\$ 233,817</u>	<u>\$ 191,847</u>

1. The Group elected to classify its strategic share investment as financial assets at fair value through other comprehensive income. The fair value of such investment as of December 31, 2021 and 2020 was \$233,817 and \$191,847, respectively.

2. Financial assets at fair value through other comprehensive income recognized in profit and loss/comprehensive income are as follows:

	2021	2020
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	\$ 16,459	\$ 41,603
Dividend income recognized in profit or loss	<u>\$ 18,352</u>	<u>\$ 12,849</u>

held at end of year

- | 3. Without considering the collaterals or other credit enhancements held, the amounts most representative of the credit risk exposed to the Group's financial assets at fair value through other comprehensive income as of December 31, 2021 and 2020 were \$233,817 and \$191,847, respectively. |  |  |
|--|--|--|
| 4. The Group did not pledge any financial assets at fair value through other comprehensive income as collaterals.  |  |  |

(V) Property, plant, and equipment

2021

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 507,421	\$ 3,853,572	\$ 19,443	\$ 9,544	\$ 40,702	\$ 211,387	\$ 72,486	\$ 4,811,050
Accumulated depreciation and impairment	-	( 205,217 )	( 1,873,639 )	( 15,069 )	( 7,113 )	( 28,919 )	( 141,222 )	-	( 2,271,179 )
	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>
January 1	\$ 96,495	\$ 302,204	\$ 1,979,933	\$ 4,374	\$ 2,431	\$ 11,783	\$ 70,165	\$ 72,486	\$ 2,539,871
Addition	681,065	56,494	142,260	-	574	5,013	63,614	1,406,864	2,355,884
Disposal	-	-	( 17 )	-	-	-	-	-	( 17 )
Reclassification	-	4,076	1,323,995	4,930	2,380	6,278	27,824	( 1,369,483 )	-
Depreciation	-	( 24,179 )	( 319,621 )	( 1,025 )	( 1,382 )	( 4,101 )	( 35,148 )	-	( 385,456 )
Net exchange differences	-	( 1,445 )	( 4,498 )	( 1 )	( 3 )	( 34 )	( 235 )	( 201 )	( 6,417 )
December 31	<u>\$ 777,560</u>	<u>\$ 337,150</u>	<u>\$ 3,122,052</u>	<u>\$ 8,278</u>	<u>\$ 4,000</u>	<u>\$ 18,939</u>	<u>\$ 126,220</u>	<u>\$ 109,666</u>	<u>\$ 4,503,865</u>
December 31									
Costs	\$ 777,560	\$ 565,912	\$ 5,283,887	\$ 24,369	\$ 12,050	\$ 51,323	\$ 301,219	\$ 109,666	\$ 7,125,986
Accumulated depreciation and impairment	-	( 228,762 )	( 2,161,835 )	( 16,091 )	( 8,050 )	( 32,384 )	( 174,999 )	-	( 2,622,121 )
	<u>\$ 777,560</u>	<u>\$ 337,150</u>	<u>\$ 3,122,052</u>	<u>\$ 8,278</u>	<u>\$ 4,000</u>	<u>\$ 18,939</u>	<u>\$ 126,220</u>	<u>\$ 109,666</u>	<u>\$ 4,503,865</u>

	Land	Buildings and structures	Machinery	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1									
Costs	\$ 96,495	\$ 500,337	\$ 3,568,526	\$ 19,597	\$ 9,453	\$ 35,251	\$ 174,702	\$ 21,374	\$ 4,425,735
Accumulated depreciation and impairment	- ( 180,245 )	( 1,637,091 )	( 14,458 )	( 5,705 )	( 26,817 )	( 117,212 )	-	( 1,981,528 )	
	<u>\$ 96,495</u>	<u>\$ 320,092</u>	<u>\$ 1,931,435</u>	<u>\$ 5,139</u>	<u>\$ 3,748</u>	<u>\$ 8,434</u>	<u>\$ 57,490</u>	<u>\$ 21,374</u>	<u>\$ 2,444,207</u>
January 1	\$ 96,495	\$ 320,092	\$ 1,931,435	\$ 5,139	\$ 3,748	\$ 8,434	\$ 57,490	\$ 21,374	\$ 2,444,207
Addition	-	403	106,976	-	34	5,194	32,465	233,165	378,237
Disposal	-	-	( 635 )	-	-	-	-	-	( 635 )
Reclassification (Note)	-	682	175,855	-	-	896	3,392	( 182,723 )	( 1,898 )
Depreciation	- ( 23,080 )	( 248,492 )	( 768 )	( 1,357 )	( 2,839 )	( 23,999 )	-	( 300,535 )	
Impairment	-	-	( 3,889 )	-	-	-	-	( 3,889 )	
Net exchange differences	-	4,107	18,683	3	6	98	817	670	24,384
December 31	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>
December 31									
Costs	\$ 96,495	\$ 507,421	\$ 3,853,572	\$ 19,443	\$ 9,544	\$ 40,702	\$ 211,387	\$ 72,486	\$ 4,811,050
Accumulated depreciation and impairment	- ( 205,217 )	( 1,873,639 )	( 15,069 )	( 7,113 )	( 28,919 )	( 141,222 )	-	( 2,271,179 )	
	<u>\$ 96,495</u>	<u>\$ 302,204</u>	<u>\$ 1,979,933</u>	<u>\$ 4,374</u>	<u>\$ 2,431</u>	<u>\$ 11,783</u>	<u>\$ 70,165</u>	<u>\$ 72,486</u>	<u>\$ 2,539,871</u>

Note: Reclassified to intangible assets.

1. The capitalized interest for 2021 and 2020 is zero.
2. the Group's significant components of buildings and structures, including buildings and engineering systems, are depreciated over 20 to 50 years and 5 to 20 years, respectively.
3. For information on pledged property, plant, and equipment, refer to Note 8.

(VI) Lease Transactions - Lessee

1. The underlying assets of the Group's lease include land use right, parking space, buildings, company cars, and multi-function peripherals. The lease duration usually lasts 1 to 50 years. Lease contracts are agreed upon individually and contain different terms and conditions. Except for land use right, leased assets shall not be used as collaterals, and are not restricted in any way.
2. The lease term of the buildings and warehouses leased by the Group is less than 12 months. The low-value underlying asset of the Group's lease is the electronic host for business use.
3. The information on the carrying amount of the right-of-use asset and the recognized depreciation expense is as follows:

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land use right	\$ 27,893	\$ 28,739
Parking space	-	508
Buildings	8,153	3,596
Transportation equipment	4,741	2,079
Machinery and equipment	1,054	1,289
	<u>\$ 41,841</u>	<u>\$ 36,211</u>

	2021	2020
	Depreciation	Depreciation
Land use right	\$ 693	\$ 683
Parking space	508	43
Buildings	4,148	1,488
Transportation equipment	1,396	1,573
Machinery and equipment	385	403
	<u>\$ 7,130</u>	<u>\$ 4,190</u>

4. Profit or loss items in relation to lease contracts are as follows:

	2021	2020
<u>Items that affect profit or loss</u>		
Expenses attributable to short-term lease contracts	\$ 13,845	\$ 13,451
Expenses attributable to low-value assets	66	61

5. The Group's right-of-use asset increased by \$14,003 and \$1,293 for 2021 and 2020, respectively.
6. The Group's cash used in lease contracts increased by \$20,285 and \$16,976 for 2021 and 2020, respectively.

(VII) Other noncurrent assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 2,528	\$ 1,917
Prepayments for construction and equipment	27,815	39,019
Uncollectible overdue receivables	1,252	1,252
Allowance for uncollectible overdue receivables	( 1,252 )	( 1,252 )

<u>\$</u>	<u>30,343</u>	<u>\$</u>	<u>40,936</u>
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(VIII) Short-term Borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loan			
Secured loan	\$ 50,000	0.85%	Land and plant
Credit loan	365,794	0.71%~0.85%	-
	<u>\$ 415,794</u>		
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loan			
Secured loan	\$ 50,000	0.94%	Land and plant
Credit loan	647,535	0.64%~0.95%	-
	<u>\$ 697,535</u>		

In 2021 and 2020, the Group recognized in P/L the amount of \$3,931 and \$6,509 respectively, for the interest expenses incurred by short-term borrowings.

(IX) Short-term Bills Payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper	<u>\$ 20,000</u>	<u>\$ 130,000</u>
Loan period	<u>Dec. 2021 - Jan. 2022</u>	<u>Dec. 2020 - Feb. 2021</u>
Interest rate range	<u>0.38%</u>	<u>0.9%~0.99%</u>

In 2021 and 2020, the Group recognized in P/L the amount of \$206 and \$648, respectively, for the interest expenses incurred by short-term bills payable.

(X) Other Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary and bonus payables	\$ 204,903	\$ 148,627
Social benefits liabilities payable	112,955	109,784
Employee compensation and directors' and supervisors' remuneration payable	107,279	65,054
Construction and equipment payable	273,446	83,794
Others	244,904	174,008
	<u>\$ 943,487</u>	<u>\$ 581,267</u>

(XI) Long-term Borrowings

<u>Type of borrowings</u>	<u>Loan period and means of repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2021</u>
Secured loan	Principal and interest are paid from August 2021 through August 2036.	1%	Land, buildings, and structures	\$ 553,422
Credit loan	Principal is repaid upon maturity; interest is paid over Dec. 2021 through Oct. 2023.	0.8%	-	<u>50,000</u>

	603,422
Less: current portion of long-term loans	( 37,733 )
	<u>\$ 565,689</u>

Type of borrowings	Loan period and means of repayment	Interest rate range	Collaterals	December 31, 2020
Credit loan	Principal and interest are paid quarterly from May 2020 to May 2023 (Note).	0.98%	-	\$ 50,000
Credit loan	The loan period is from Apr. 2020 to Apr. 2022; principal and interest are repaid upon maturity (Note).	0.91%	-	100,000
Secured loan	Principal and interest are repaid semi-annually from April 2020 to Dec. 2023 (Note).	0.91%	Machinery	135,000
Secured loan	Principal and interest are repaid monthly from Feb 2020 to Feb 2025 (Note).	0.95%	Land, buildings, and structures	25,000
Secured loan	Principal and interest are repaid monthly from Jun. 2020 to Jun. 2025 (Note).	0.95%	Land, buildings, and structures	<u>27,000</u>
				337,000
Less: current portion of long-term loans				( 67,000 )
				<u>\$ 270,000</u>

Note: Early repaid in full in April 2021.

In 2021 and 2020, the Group recognized in P/L the amount of \$2,921 and \$3,418, respectively, for the interest expenses incurred by long-term borrowings.

## (XII) Pensions

1. (1) By adhering to the requirements set forth in the Labor Standards Act, the Company has established its own defined retirement benefits plan, which is applicable both to the service years of all regular employees rendered before the enforcement of the Labor Pension Act on July 1, 2005, and to the service years of all employees who elected to continue applying the Labor Standards Act after the implementation of the Labor Pension Act. Pensions for employees qualified for retirement are calculated based on their servicing years and their average salaries of the 6 months prior to their retirement. Two bases are given for each full year of service rendered within 15 years. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the Independent Retirement Fund Committee. In addition, the Company estimates the balance of the said designated pension account before the end of year. If the balance is not sufficient to cover the amount to be paid to all employees - calculated in the manner specified above - who will qualify the retirement conditions next year, a lump-sum deposit should be made before March-end of the following year to cover the difference.
- (2) The Company has established the Regulations for Resignation and Retirement of Managers, which is applicable to the managers appointed by the Company. Pensions for appointed managers are calculated as follows:
  - A. Pensions for the service year applying the Labor Standards Act are calculated using the equation stated in the previous section.

B. The Company contributes an amount of pension equal to 6% of an employee's monthly salary for those electing to apply the Labor Pension Act and those taking their post on or after July 1, 2005.

C. For appointed managers who have rendered 25 or more years of services as of December 31, 2018, two bases are given to each full year of services rendered within 15 years, one base is given to each full year of service over 15 years (rounded up to one year for any year of service less than one year), and their annual salary at their 25th year of service is taken as their average salary. The Company makes a pension contribution equal to 6% of their monthly salary starting from their 25th year of service.

(3) Amounts recognized in balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 55,331	\$ 54,299
Fair value of plan assets	( 40,569 )	( 39,647 )
Net defined benefit liabilities	<u>\$ 14,762</u>	<u>\$ 14,652</u>

(4) Changes in net defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2021			
Balance at January 1	\$ 54,300	( \$ 39,648 )	\$ 14,652
Current service costs	220	-	220
Interest expenses (income)	217	( 158 )	59
	<u>54,737</u>	<u>( 39,806 )</u>	<u>14,931</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 763 )	( 763 )
Change in demographic assumptions	686	-	686
Change in financial assumptions	( 1,555 )	-	( 1,555 )
Experience adjustments	1,463	-	1,463
	<u>594</u>	<u>( 763 )</u>	<u>( 169 )</u>
Pension contribution by employer	-	-	-
Pension paid	-	-	-
Balance at December 31	<u>\$ 55,331</u>	<u>( \$ 40,569 )</u>	<u>\$ 14,762</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2020			
Balance at January 1	\$ 47,430	( \$ 39,428 )	\$ 8,002
Current service costs	182	-	182
Interest expenses (income)	379	( 316 )	63
	<u>47,991</u>	<u>( 39,744 )</u>	<u>8,247</u>
Remeasurement:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 1,405 )	( 1,405 )
Change in demographic assumptions	-	-	-
Change in financial assumptions	3,119	-	3,119
Experience adjustments	4,691	-	4,691
	<u>7,810</u>	<u>( 1,405 )</u>	<u>6,405</u>
Pension contribution by employer	-	-	-
Pension paid	( 1,501 )	1,501	-
Balance at December 31	<u>\$ 54,300</u>	<u>( \$ 39,648 )</u>	<u>\$ 14,652</u>

- (5) Assets of the Company's defined retirement benefits plan are under mandated management by the Bank of Taiwan to the percentage and monetary extent specified in the bank's Annual Utilization Plan for Retirement Fund, which covers the mandated management of items specified in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, namely deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products. The utilization status is supervised by the Labor Retirement Fund Supervisory Commission. The utilization of the retirement fund shall have a yield no less than the interest for two-year time deposits provide by local banks. In case there is any shortfall, it shall be made up by the treasury of the government after an approval is obtained from the competent authority. Having no right to the operation and management of the retirement fund, the Group is unable to disclose the classification of plan assets as required by section 142 of the International Accounting Standards 19. For fair value of the total assets of the retirement fund as of December 31, 2021 and 2020, refer to the Annual Utilization Plan for Retirement Fund published each year by the government.
- (6) The valuations of pensions using the actuarial assumptions are as follows:

	2021	2020
Discount rate	<u>0.75%</u>	<u>0.40%</u>
Future salary increase rate	<u>2.00%</u>	<u>2.00%</u>

Assumptions on future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Changes in the present value of defined benefits obligations would be as follows if the principal actuarial assumption changes:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2021				
Effects on the present value of defined benefit obligations	( \$ 1,411 )	\$ 1,474	\$ 1,323	( \$ 1,276 )
December 31, 2020				
Effects on the present value of defined benefit obligations	( \$ 1,975 )	\$ 2,067	\$ 1,880	( \$ 1,811 )

The above sensitivity analysis is based on changes in a single variable, with the other variables held constant. However, in practice, variables are correlated. The manner adopted for conducting sensitivity analysis is the same as that for calculating the net pension liability stated on the balance sheet.

The manner adopted for conducting sensitivity analysis is the same as that adopted for sensitivity analysis in the previous period.

- (7) The Group expects to contribute \$0 to the pension plan in 2022.
- (8) As of December 31, 2021, the weighted average lifetime of the pension plan is 12 years. Maturity analysis of pension payment obligation is as follows:

Less than 1 year	\$ 373
1-2 years	940
2-5 years	4,862
Over 5 years	53,345
	<u>\$ 59,520</u>

2. (1) On July 1, 2005, the Company established its own pension regulations applicable to Taiwanese nationals in accordance with the Labor Pension Act. For employees of the Company or domestic subsidiaries who elected to apply the Labor Pension Act, the Company makes a contribution equal to 6 percent of the monthly salary to their individual retirement account with the Bureau of Labor Insurance. Employee pensions may be paid in monthly installments or in lump-sum payment based the accumulated amount in the employee's individual retirement account.
- (2) TAI-TECH Advanced Electronics (Kunshan) and TAIPAQ Electronic Components (Si-Hong) Co., Ltd. contribute a certain percentage of a local employee's monthly salary, as required by the People's Republic of China, to the endowment insurance system. In 2021 and 2020, the contribution percentages were 16% and 16%, respectively. The pension for employees is managed independently by the government. Except for making monthly contribution, the Group has no further obligation.
- (3) As of 2021 and 2020, the pension costs recognized in the manner specified above were \$67,418 and \$50,466, respectively.

### (XIII) Share-based Payments

1. The Group's share-based payment arrangements in 2021 are as follows (such arrangements were yet to be established in 2020):

Type of arrangement	Date granted	Quantity granted	Contract duration	Vesting conditions
The portion of common shares issuance reserved for employee subscription	March 29, 2021	1,467 thousand shares	NA	Immediate vesting

The said share-based payment arrangements are settled with equity.

2. The Group adopted the Black-Scholes option pricing model to evaluate the fair value of its employee stock options granted under share-based payment arrangements, stated as follows:

Type of arrangement	Date granted	Share price	Exercise price	Expected fluctuation rate	Expected duration	Expected dividends	Risk-free interest rate	Fair value per unit
The portion of common shares issuance reserved for employee subscription	March 29, 2021	NT\$149	NT\$118.78	47.21%	0.07 years	-	0.34%	NT\$ 30.4361

3. Expenses incurred by share-based payment transactions were as follows:

	2021
Equity settlement	\$ 44,650

#### (XIV) Share Capital

1. As of December 31, 2021, the Company had an authorized capital equal to \$3,000,000 (with \$20,000 retained for issuance of employee stock option certificates), a paid-in capital equal to \$1,031,340, and a share face value equal to NT\$10. All proceeds for share subscription were collected in full.

Reconciliation for the Company's outstanding common shares at the beginning and ending of periods is as follows:

	2021	2020
January 1	91,000	91,000
Issuance of common shares for cash	12,134	-
December 31	103,134	91,000

2. On March 2, 2021, the Board of Directors resolved to issue new shares before being initially listed on Taipei Exchange. A total of 12,134 thousand shares with the face value of NT\$10 were issued. The public offering price was NT\$118.78 per share. The record date for such capital increase was set on April 23, 2021, which was already modified and registered with the competent authority.

#### (XV) Capital Surplus

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders' original shareholding percentage. According to the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use capital surplus to offset loss only when the amount of reserves is insufficient to offset the loss.

	2021		
	Additional paid-in capital	Changes in ownership interests in subsidiaries	Net assets from merger
January 1	\$ 109,124	\$ 12,353	\$ 2,046
Issuance of common shares for cash	1,763,164	-	-
December 31	\$ 1,872,288	\$ 12,353	\$ 2,046
	2020		
	Additional paid-	Changes in	Net assets

	in capital	ownership interests in subsidiaries	from merger
January 1	\$ 200,124	\$ 12,353	\$ 2,046
Capital surplus appropriated in cash	( 91,000 )	-	-
December 31	<u>\$ 109,124</u>	<u>\$ 12,353</u>	<u>\$ 2,046</u>

(XVI) Retained Earnings

1. According to the Company's Articles of Incorporation, if the Company has any earnings in the final account, they should be used to pay off all the taxes and duties, as well as to compensate prior deficits. The remaining amount, if any, should be appropriated in the following order of presentation: (1) 10% as legal reserve until it reaches the Company's paid-in capital; (2) set aside or reverse a certain amount as or of special reserve according to operating needs or laws or regulations; (3) the remainder plus unappropriated earnings from prior years may be used to appropriate dividends or bonuses to shareholders after an earnings appropriation proposal is drafted by the Board of Directors and resolved in favor by the shareholders meeting. As required by Article 240 of the Company Act, if approved by a majority vote at a Board of Directors' meeting attended by two thirds of directors, the Board of Directors may appropriate dividends or bonuses in cash with its existing legal reserve or capital surplus, and shall report to the shareholder's meeting. In such case, the requirements regarding resolution made by shareholders' meeting set out in the Company's Articles of Incorporation do not apply.
2. The Company's dividend appropriation policy takes into account the factors such as the industry environment it is in, its growing phases, future capital demands, financial structure, capital budget, shareholders' interest, balanced dividends, and long-term financial planning. An earnings appropriation proposal is drafted by the Board of Directors (and reported to the shareholders' meeting) to the extent appropriate on the conditions that the Company's business is in the expanding phase, profitability expects to grow, and appropriation of stock dividends won't significantly dilute the Company's profitability. No less than 30% of annual earnings are appropriated to shareholders. Shareholder's bonuses may be appropriated in cash or in shares, provided, however, that the appropriation in cash shall not be less than 10% of the total appropriated amount.
3. Except being used to make up previous deficits or appropriate shares or cash to shareholders in proportion to their shareholding percentage, the legal reserve shall not be used. However, the amount of legal reserves used to appropriate new shares or cash shall be limited to the portion exceeding 25% of the paid-in capital.
4. (1) According to law, the Company may appropriate earnings only after it has provided special reserve under the debit balance of other equity on the balance sheet date. If subsequently the debit balance of other equity is reversed, the reversed amount may be used as appropriate earnings.  
 (2) As for the special reserves provided upon initial application of IFRSs to satisfy the requirements specified in the official letter Jin Guan Zheng Fa Zi No. 1010012865 dated April 6, 2012, the Company may reversed them to the extent of their original provision ratio if subsequently the Company intends to use, dispose of, or reclassify related assets. If the said related assets are investment property relating to land, such assets are reversed upon disposal or reclassification; if the said related assets are investment property other than land, such assets are reversed gradually over the use period.
5. As resolved on in the shareholder's meeting dated June 24, 2020, the Company determined to appropriate dividends in the amount of \$154,700 (NT\$1.7 per share) with the earnings

made in 2019.

6. At the Board of Directors' meeting dated March 2, 2021, the Board of Directors originally intended to appropriate common-share dividends in the amount of \$373,100(NT\$4.1 per share) with the earning made in 2020. However, the capital amount increased due to issuance of new shares. As such, at the Board of Directors' meeting dated April 29, 2021, the Board of Directors resolved to appropriate common-share dividends in the amount of \$422,849 (NT\$4.1 per share) with the earnings made in 2020.
7. As resolved on in the shareholder's meeting dated February 25, 2022 the Board of Directors determined to appropriate dividends in common shares in the amount of \$721,938 (NT\$7 per share) with the earnings made in 2021.

(XVII) Other Equity

	2021		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 165,891	( \$ 180,156 )	( \$ 14,265 )
Valuation of financial assets at fair value through other comprehensive income:			
-Group	16,459	-	16,459
Exchange differences:			
-Group	-	( 18,641 )	( 18,641 )
December 31	<u>\$ 182,350</u>	<u>( \$ 198,797 )</u>	<u>( \$ 16,447 )</u>
	2020		
	Unrealized gains (losses)	Foreign currency translation	Total
January 1	\$ 124,288	( \$ 214,279 )	( \$ 89,991 )
Valuation of financial assets at fair value through other comprehensive income:			
-Group	41,603	-	41,603
Exchange differences:			
-Group	-	34,123	34,123
December 31	<u>\$ 165,891</u>	<u>( \$ 180,156 )</u>	<u>( \$ 14,265 )</u>

(XVIII) Operating Revenue

	2021	2020
Revenue from contracts with clients	<u>\$ 6,165,281</u>	<u>\$ 4,478,004</u>

The Group's revenue derived from transfer of goods at a particular point of time are classified into the following categories:

	2021	2020
Wire-Wounds Products	\$ 3,937,194	\$ 3,064,957
Multilayer Products	1,051,952	901,111
LAN transformer	1,143,122	480,948
Others	<u>33,013</u>	<u>30,988</u>

Total	\$ 6,165,281	\$ 4,478,004
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(XIX) Other Income

	2021	2020
Rental income	\$ 3,548	\$ 125
Dividends income	18,352	12,849
Subsidies income	44,561	27,883
Miscellaneous income	1,975	6,684
Total	\$ 68,436	\$ 47,541

The Group recognized government grants primarily because it qualified for the grants awarded to entice investment in the industries within Si-Hong Economic Development Zone.

(XX) Other Gains and Losses

	2021	2020
Gain on disposal of property, plant, and equipment	\$ 1,343	\$ 909
Exchange losses, net	( 6,025 )	( 54,952 )
Impairment loss recognized on property, plant, and equipment	-	( 3,889 )
Miscellaneous expenses	( 7 )	( 2,226 )
	( \$ 4,689 )	( \$ 60,158 )

(XXI) Additional Information on the Nature of Expenses

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 1,015,062	\$ 425,991	\$ 1,441,053
Depreciation of property, plant, and equipment	355,030	30,426	385,456
Depreciation of right-of-use assets	2,806	4,324	7,130
Amortization	2,262	2,107	4,369
	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefits expense	\$ 706,518	\$ 301,166	\$ 1,007,684
Depreciation of property, plant, and equipment	275,259	25,276	300,535
Depreciation of right-of-use assets	351	3,839	4,190
Amortization	493	1,350	1,843

(XXII) Employee Benefits Expense

	2021		
	Attributable to operating costs	Attributable to operating expenses	Total

Salary and wages	\$ 878,036	\$ 381,714	\$ 1,259,750
Health insurance and labor insurance expense	22,333	14,049	36,382
Pension expense	54,493	13,204	67,697
Other personnel expense	60,200	17,024	77,224
	<u>\$ 1,015,062</u>	<u>\$ 425,991</u>	<u>\$ 1,441,053</u>

	2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Salary and wages	\$ 606,820	\$ 264,673	\$ 871,493
Health insurance and labor insurance expense	16,232	11,995	28,227
Pension expense	40,071	10,640	50,711
Other personnel expense	43,395	13,858	57,253
	<u>\$ 706,518</u>	<u>\$ 301,166</u>	<u>\$ 1,007,684</u>

- Where there are earnings in the final account, (1) no less than 6% shall be allocated as employee compensation, either in cash or in shares, as resolved by the Board of Directors - employees qualified for such compensation include employees from affiliated companies who meet certain criteria; and 1-2% shall be allocated as remuneration for directors and supervisors.
- In 2021 and 2020, the Company recognized \$85,823 and \$52,043, respectively, for employee compensation, and \$21,456 and \$13,011, respectively, for directors' and supervisors' remuneration, all were presented under salary and wages.

The employee compensation and directors' and supervisors' remuneration for 2021 were estimated at 6% and 1.5%, respectively, of the earnings at the end of the period. The Board of Directors determined to appropriate \$85,823 and \$21,456 as dividends; employee compensation was appropriated in cash.

The amount of the accrued employee compensation and directors' and supervisors' remuneration for 2020 as had been resolved by the Board of Directors was the same as the amount recognized in the financial statements for 2020.

The amounts of employee compensation and directors' and supervisors' remuneration approved by the Board of Directors and resolved by the shareholders' meeting can be found on the Market Observation Post System of TWSE.

### (XXIII) Income Tax

- Income tax expenses
  - Income tax components:

	<u>2021</u>	<u>2020</u>
Current tax:		
Tax attributable to taxable income of the period	\$ 150,794	\$ 87,659
Additional levy on unappropriated earnings	-	5,396
Over-estimate of income tax of the previous period	( <u>7,378</u> )	( <u>10,506</u> )
Total current tax	143,416	82,549

Deferred tax:		
Deferred income tax on temporary differences originated and reversed	50,832	52,198
Income tax expenses	<u>\$ 194,248</u>	<u>\$ 134,747</u>

(2) Income tax associates with other comprehensive income: None.

(3) Income tax directly debited or credited in equity: None.

2. Relation between income tax expense and accounting profit

	2021	2020
Income tax derived from applying the statutory tax rate to income before tax	\$ 352,709	\$ 238,686
Effects of statutory adjustments:	( 115,504 )	( 96,237 )
Temporary differences not recognized as deferred tax assets	1,471	1,758
Tax effects of investment deductibles	( 34,743 )	( 3,422 )
Tax effects of temporary differences	( 824 )	( 928 )
Change in estimation of probability of realizing deferred tax assets	( 1,483 )	-
Over-estimate of income tax of the previous period	( 7,378 )	( 10,506 )
Additional levy on unappropriated earnings	-	5,396
Income tax expenses	<u>\$ 194,248</u>	<u>\$ 134,747</u>

Note: The tax rate applied is based on the tax rate applicable to income in each country.

3. The amounts of deferred assets and liabilities arising from temporary differences were as follows:

	2021			
	January 1	Recognized in P/L	Exchange differences	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gains from disposal	\$ 5,618	( \$ 998 )	( \$ 59 )	\$ 4,561
Others	2,155	846	46	3,047
Loss carryforwards	741	22,951	( 4 )	23,688
Sub-total	<u>8,514</u>	<u>22,799</u>	<u>( 17 )</u>	<u>31,296</u>
-Deferred tax liabilities:				
Reserve for land revaluation increment tax	( 28,572 )	-	-	( 28,572 )
Appreciation book-tax differences	( 110,283 )	( 73,631 )	591	( 183,323 )
Sub-total	<u>( 138,855 )</u>	<u>( 73,631 )</u>	<u>591</u>	<u>( 211,895 )</u>
Total	<u>( \$ 130,341 )</u>	<u>( \$ 50,832 )</u>	<u>\$ 574</u>	<u>( \$ 180,599 )</u>
	2020			
	January 1	Recognized in P/L	Exchange differences	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized gains from disposal	\$ 6,201	( \$ 588 )	\$ 5	\$ 5,618

Others	2,513	( 392 )	34	2,155
Loss carryforwards	<u>32,993</u>	<u>( 32,153 )</u>	<u>( 99 )</u>	<u>741</u>
Sub-total	<u>41,707</u>	<u>( 33,133 )</u>	<u>( 60 )</u>	<u>8,514</u>
-Deferred tax liabilities:				
Reserve for land revaluation increment tax	( 28,572 )	-	-	( 28,572 )
Appreciation book-tax differences	<u>( 89,451 )</u>	<u>( 19,065 )</u>	<u>( 1,767 )</u>	<u>( 110,283 )</u>
Sub-total	<u>( 118,023 )</u>	<u>( 19,065 )</u>	<u>( 1,767 )</u>	<u>( 138,855 )</u>
Total	<u>( \$ 76,316 )</u>	<u>( \$ 52,198 )</u>	<u>( \$ 1,827 )</u>	<u>( \$ 130,341 )</u>

4. Deductible temporary differences not recognized as deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences:	<u>\$ 183,368</u>	<u>\$ 169,666</u>

5. The Company did not recognize deferred tax liabilities for the taxable temporary differences in relation to subsidiaries' investment. As of December 31, 2021 and 2020, the amounts of temporary differences for which deferred assets had not been recognized were \$429,284 and \$338,075, respectively.
6. The Company's profit-seeking income tax has been approved by the taxation authority through 2019.

(XXIV) Earnings Per Share

	2021		
	Post-tax amount	Weighted average number of outstanding shares (In Thousands of Shares)	EARNINGS PER SHARE (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	<u>\$ 1,197,065</u>	<u>99,089</u>	<u>\$ 12.08</u>
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 1,197,065	99,089	
Dilutive effects of the potential common shares			
Employee compensation	<u>-</u>	<u>721</u>	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	<u>\$ 1,197,065</u>	<u>99,810</u>	<u>\$ 11.99</u>
	2020		
	Post-tax amount	Weighted average number of outstanding shares (In Thousands of Shares)	EARNINGS PER SHARE (NT\$)

<u>Basic earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	\$ 8.07
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of common shares of the parent	\$ 734,671	91,000	
Dilutive effects of the potential common shares			
Employee compensation	-	770	
Profit attributable to shareholders of common shares of the parent plus effects of potential common shares	\$ 734,671	91,770	\$ 8.01

(XXV) Additional Information on Cash Flows

Investing activities partially involving cash payments:

	2021	2020
Acquisition of property, plant, and equipment	\$ 2,355,884	\$ 378,237
Plus: Construction and equipment payable at the beginning of the period	83,794	56,098
Notes payable at the beginning of the period	45,604	-
Less: Construction and equipment payable at the end of the period	( 273,446 )	( 83,794 )
Notes payable at the end of the period	( 175,408 )	( 45,604 )
Cash paid in the period	<u>\$ 2,036,428</u>	<u>\$ 304,937</u>

(XXVI) Changes in Liabilities Arising from Financing Activities

	2021				
	Short-term borrowings	Short-term bills payable	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1	\$ 697,535	\$ 130,000	\$ 337,000	\$ 7,515	\$ 1,172,050
Changes from financing cash flows	( 277,341 )	( 110,000 )	266,422	( 6,374 )	( 127,293 )
Effects of exchange rate changes	( 4,400 )	-	-	-	( 4,400 )
Other non-cash changes	-	-	-	12,913	12,913
December 31	<u>\$ 415,794</u>	<u>\$ 20,000</u>	<u>\$ 603,422</u>	<u>\$ 14,054</u>	<u>\$ 1,053,270</u>
	2020				
	Short-term borrowings	Short-term bills payable	Long-term borrowings	Lease liability	Liabilities arising from financing activities - Total
January 1	\$ 646,270	\$ 120,000	\$ 325,286	\$ 9,705	\$ 1,101,261
Changes from	60,755	10,000	11,714	( 3,464 )	79,005

financing cash flows					
Effects of exchange rate changes	( 9,490 )	-	-	-	( 9,490 )
Other non-cash changes	-	-	-	1,274	1,274
December 31	<u>\$ 697,535</u>	<u>\$ 130,000</u>	<u>\$ 337,000</u>	<u>\$ 7,515</u>	<u>\$ 1,172,050</u>

## VII. Related Party Transactions

### (I) Name and Relationship of Related Party

<u>Name of related party</u>	<u>Relationship with the Group</u>
Superworld Electronics (S) Pte Ltd.	Other related party
TAI-TECH ADVANCED ELECTRONICS(S) PTE LTD	Other related party
Superworld Electronics Co., Ltd.	Other related party
Superworld Electronics (Dongguan) Co., Ltd	Other related party
Jui-hsia Tai	Immediate family member of the major management
Chang-i Hsieh	Immediate family member of the major management
Chairman, Supervisor, President, and Vice President	Major management of the Group

### (II) Significant Transactions with Related Party

#### 1. Operating revenue

	<u>2021</u>	<u>2020</u>
Sale of goods:		
Other related party	<u>\$ 496,729</u>	<u>\$ 320,567</u>

The price of goods sold to related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily clients.

#### 2. Purchase

	<u>2021</u>	<u>2020</u>
Purchase of goods:		
Other related party	<u>\$ 8,345</u>	<u>\$ 7,486</u>

The price of goods purchased from related party by the Group is the same as that for an arm's length transaction; the payment terms also approximate those for ordinarily suppliers.

#### 3. Freight expenses and miscellaneous expenses

	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ 287</u>	<u>( \$ 272 )</u>

#### 4. Other income

	<u>2021</u>	<u>2020</u>
Other related party	<u>\$ -</u>	<u>\$ 22</u>

#### 5. Lease transactions - lessee

(1) The Group leased buildings from the immediate family members of the major management, with the lease term due between 2018 and 2023 and the rental paid on a monthly basis.

(2) Rental expense

	2021	2020
Other related party	\$ 171	\$ 325
(3) Lease liability		
Balance at the end of the period:		
	December 31, 2021	December 31, 2020
Jui-hsia Tai	\$ 1,145	\$ 1,844
Chang-i Hsieh	1,087	1,752
	<u>\$ 2,232</u>	<u>\$ 3,596</u>
6. Accounts receivables due from related party		
	December 31, 2021	December 31, 2020
Accounts receivable		
Other related party	\$ 207,195	\$ 114,791
Other receivables		
Other related party	-	1,324
Total	<u>\$ 207,195</u>	<u>\$ 116,115</u>
7. Accounts payables due to related party		
	December 31, 2021	December 31, 2020
Accounts payable:		
Other related party	\$ 1,224	\$ 3,124
Other payables		
Other related party	17	18
Total	<u>\$ 1,241</u>	<u>\$ 3,142</u>
8. The major management acted as a joint guarantor for the Group's short-term borrowings and short-term bills payable as of December 31, 2021, and for the Group's long-term and short-term borrowings as of December 31, 2020.		

(III) Remuneration to Major Management

	2021	2020
Short-term employee benefits	\$ 100,963	\$ 71,977
Post-retirement benefits	1,252	1,284
Share-based payments	6,361	-
Total	<u>\$ 108,576</u>	<u>\$ 73,261</u>

VIII. Pledged Assets

Assets pledged as collaterals were as follows:

Type of asset	December 31, 2021	December 31, 2020	As collaterals for borrowings
Property, plant and equipment			
Land	\$ 766,893	\$ 85,828	Short- and long-term borrowings
- Buildings and structures	67,305	22,738	Short- and long-term borrowings

- Machinery	-	276,834	Long-term borrowings
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IX. Significant Commitments or Contingency

(I) Contingency

None.

(II) Commitments

Capital expenditures committed but not yet incurred

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 307,879	\$ 218,945
Computer software	\$ 781	\$ -

X Significant Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital Management

The purposes of the Group's capital management are to ensure that the Group continues as a going concern, to maintain an optimal capital structure to lower financing costs, and to provide returns of investment to shareholders. For the purpose of maintaining an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, or may issue new shares.

(II) Financial Instrument

1. Type of financial instrument

	December 31, 2021	December 31, 2020
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Investment in equity instruments of which the fair value is designated to be recognized in other comprehensive income	\$ 233,817	\$ 191,847
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,341,004	\$ 767,619
Financial assets at amortized cost	-	167,040
Notes receivable, net	64,858	28,906
Accounts receivable, net (including those due from related party)	2,389,761	1,752,254
Other receivables (including those due from related party)	14,909	14,168
Refundable deposits (recognized under other noncurrent assets)	2,528	1,917

	\$ 3,813,060	\$ 2,731,904
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Financial Liability

Financial liabilities at amortized cost

Short-term borrowings	\$ 415,794	\$ 697,535
Short-term bills payable	20,000	130,000
Notes payable	193,029	56,755
Accounts payables (including those due to related party)	859,752	571,419
Other payables (including those due to related party)	943,487	581,267
Long-term borrowings (including the current portion)	603,422	337,000
Guarantee deposits (recognized under other noncurrent liabilities)	1,640	-
	\$ 3,037,124	\$ 2,373,976
Lease liabilities (including those due to related party)	\$ 14,054	\$ 7,515

2. Risk management policy

- (1) The Group's daily operations are affected by various financial risks, e.g. market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Group's risk management policy focuses on the unpredictable market events in order to minimize their potentially adverse impacts on the Group's financial position and financial performance.
- (2) The Group's key financial activities are reviewed by the Board of Directors against relevant regulations and its internal control systems. The Company strictly abides by relevant financial operating procedures during the implementation of financial plans.

3. The nature and degree of significant financial risks

(1) Market risks

Foreign exchange risks

- A. The Group operates internationally and so is subject to the exchange rate risk of different currencies, particularly the USD and RMB. Relevant exchange rate risk arises from future business transactions and the recognized assets and liabilities. In addition, the conversion from RMB to other currencies is subject to the foreign currency exchange control regulations imposed by China.
- B. The Group's management has formulated relevant policy to require entities within the Group to manage the foreign exchange risks associated with their functional currency. Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency other than the entity's functional currency.
- C. Since the Group engages in business involving multiple functional currencies (e.g. the Company's functional currency is NTD while some subsidiaries' functional currencies are either USD or RMB), the Group is subject to fluctuation in foreign exchange rates. Foreign-currency-denominated assets and liabilities having significant impacts if foreign exchange rates change were as follows:

				December 31, 2021		
				Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
<b>(Foreign currency: functional currency)</b>						
<u>Financial Assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	56,240	27.68	\$	1,556,723
	RMB:NTD		162,540	4.34		705,424
	USD:RMB		45,698	6.38		291,553
<u>Financial Liability</u>						
<u>Monetary items</u>						
	USD:NTD	\$	39,098	27.68	\$	1,082,233
	USD:RMB		26,575	6.38		169,549

				December 31, 2020		
				Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
<b>(Foreign currency: functional currency)</b>						
<u>Financial Assets</u>						
<u>Monetary items</u>						
	USD:NTD	\$	48,532	28.48	\$	1,382,191
	RMB:NTD		9,964	4.36		43,443
	USD:RMB		26,861	6.52		175,134
<u>Financial Liability</u>						
<u>Monetary items</u>						
	USD:NTD	\$	33,205	28.48	\$	945,678
	RMB:NTD		15	4.36		65
	USD:RMB		20,630	6.52		134,508

D. For monetary items that would be significantly impacted by foreign exchange rate changes, the Group recognized an exchange gain or loss (realized and unrealized) in the amount equal to an exchange loss of \$6,025 and \$54,952, respectively, for 2021 and 2020. Since the Group's transactions involve multiple currencies that have significant foreign exchange impacts, they are disclosed as a whole.

E. Foreign exchange risks arising from significant exchange rate changes that the Group is exposed to were as follows:

				2021		
				Sensitivity Analysis		
				Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
<b>(Foreign currency: functional currency)</b>						
<u>Financial Assets</u>						
<u>Monetary items</u>						
	USD:NTD		1%	\$	15,567	\$ -
	RMB:NTD		1%		7,054	-
	USD:RMB		1%		2,916	-

<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		10,822	-
USD:RMB	1%		1,695	-
		2020		
		Sensitivity Analysis		
		Fluctuation	Effects on P/L	Effects on other comprehensive income (OCI)
<b>(Foreign currency: functional currency)</b>				
<u>Financial Assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	13,822	\$ -
RMB:NTD	1%		434	-
USD:RMB	1%		1,751	-
<u>Financial Liability</u>				
<u>Monetary items</u>				
USD:NTD	1%		9,457	-
USD:RMB	1%		1,345	-

#### Price risk

- A. Since the Group's investment is classified as financial assets measured at fair value through other comprehensive income on the consolidated balance sheets, the Group is exposed to the risk of price changes in equity instrument.
- B. The Group mainly invests in equity instruments issued by a domestic or foreign company. The price of such equity instruments can be affected by changes in future value of their investment targets. If the price of such equity instrument goes up or down by 1%, held other variables constant, the post-tax profit or loss for the years 2021 and 2020 will increase or decrease by \$2,338 and \$1,918 due to the increase or decrease in the fair value of financial assets measured at fair value through other comprehensive income.

#### Cash flow risk and fair value risk

- A. The Group's interest rate risks mainly come from short- and long-term borrowings issued at floating interest rates. Such exposure also means the Group is exposed to cash flow interest rate risks, though a portion of risks have been offset by the Group's holding of cash bearing a floating interest rate. In 2021 and 2020, the Group's borrowings bearing a floating interest rate are denominated in NTD and USD.
- B. When the borrowing interest rate of NTD and USD increases or decreases by 1%, held other variables constant, the Group's net income after tax for 2021 and 2020 will also decrease or increase by \$8,154 and \$8,276, respectively, mainly due to changes in interest expense caused by borrowings bearing a floating interest rate.

#### (2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by clients, or by counter-parties of financial instruments on the contract obligations. Credit risk of the Group mainly comes from accounts receivable, notes receivable, and the contractual cash flows of financial assets measured at amortized cost that are prone to default by counter-parties.
- B. The Group establishes a framework for managing credit risks from a group's

perspective. As the internal credit approval policy stipulates, an operating entity within the Group shall manage and analyze the credit risk of a new client before proposing terms and conditions pertaining to payments and delivery of goods. Internal risk control is achieved by evaluating a client's credit quality against the client's financial position, credit records, and other factors. The limit on individual risk is set by the management by referring to internal or external ratings. The status of utilization of credit lines is regularly monitored.

- C. The Group applies the presumption of IFRS 9 and deems that the credit risk of a financial assets has significantly increased after initial recognition when the receivables obliged by the contractual terms are 30-days past due.
- D. The Group's credit risk management procedures deem a default occurred when a counterparty is significantly delinquent on repayments.
- E. After the recourse procedures, the Group writes off financial assets that could not be reasonably expected to be recovered. Nonetheless, the Group will continue the recourse legal procedures to secure its right to the debt. As of December 31, 2021 and 2020, The Group's debt that had been written off but were continually pursued was both \$0.
- F. The Group classifies accounts receivable due from clients by the characteristics of their ratings, and adopts the simplified approach that measures expected credit losses based on the preparation matrix.
- G. By taking into account the forward-looking consideration that economic indicators hold, the Group adjusts the expected credit loss rate that was established based on historical or present information, so as to estimate the allowance for accounts receivable, notes receivable, and uncollectable overdue receivables. The preparation matrix as of December 31, 2021 and 2020 was as follows:

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	Over 91-180 days past due	Total
December 31, 2021						
Expected loss (%)	100.00 %	0.07 %	5.44 %	6.94 %	100.00 %	
Total carrying amount	\$ 1,252	\$ 2,432,012	\$ 42,292	\$ 4,054	\$ 18	\$ 2,479,628
Loss allowance	\$ 1,252	\$ 21,347	\$ 581	\$ 9	\$ 18	\$ 23,207

	Individual disclosure	Not yet due	Within 30 days past due	31-90 days past due	91-180 days past due	Total
December 31, 2020						
Expected loss (%)	100.00 %	0.07 %	5.44 %	6.94 %	100.00 %	
Total carrying amount	\$ 1,252	\$ 1,774,717	\$ 9,595	\$ 456	\$ -	\$ 1,786,020
Loss allowance	\$ 1,252	\$ 1,232	\$ 583	\$ 27	\$ -	\$ 3,094

- H. Changes in the loss allowances provided for accounts receivable using the simplified approach are as follows:

	2021			Total
	Accounts receivable	Notes receivable	Uncollectible overdue receivables	
January 1	\$ 1,842	\$ -	\$ 1,252	\$ 3,094
Impairment loss	20,119	-	-	\$ 20,119
Exchange rate	( 6 )	-	-	( 6 )

effects				
December 31	<u>\$ 21,955</u>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 23,207</u>
	<u>2020</u>			
	Accounts receivable	Notes receivable	Uncollectible overdue receivables	Total
January 1	\$ 16,977	\$ -	\$ 1,252	\$ 18,229
Impairment loss reversed	( 15,107 )	-	-	( 15,107 )
Exchange rate effects	( 28 )	-	-	( 28 )
December 31	<u>\$ 1,842</u>	<u>\$ -</u>	<u>\$ 1,252</u>	<u>\$ 3,094</u>

(3) Liquidity risk

- A. Cash flows forecast is done by each operating entity; the Administration Department of the Group is responsible only for summarizing the results. Administration Department of the Group monitors the forecast of the Group's liquidity needs, so as to ensure that it has sufficient fund to meet operating needs and maintains sufficient unused loan commitments so that it won't default on any borrowing limits or terms. Such a forecast takes into account the Group's debt financing plan, compliance with provisions of debt instruments, fulfillment of the financial ratio targets on the balance sheet, and conformity with external regulatory requirements, such as foreign exchange control.
- B. The table below listed the Group's non-derivative financial liabilities by maturity date. They were analyzed for the residual duration between the balance sheet date and the maturity date. The table below disclosed the contractual cash flows not discounted:

Non-derivative financial liabilities

December 31, 2021	Less than 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	\$ 415,794	\$ -	\$ -	\$ -
Short-term bills payable	20,000	-	-	-
Notes payable	193,029	-	-	-
Accounts payable	858,528	-	-	-
Accounts payables to related parties	1,224	-	-	-
Other payables (including those due to related party)	943,487	-	-	-
Lease liability (including the current portion)	6,557	5,538	1,959	-
Long-term borrowings (including the current portion)	43,494	93,047	125,888	382,538

Derivative financial liabilities

December 31, 2020	Less than 1 year	1-2 years	2-5 years
Short-term borrowings	\$ 697,535	\$ -	\$ -
Short-term bills payable	130,000	-	-
Notes payable	56,755	-	-
Accounts payable	568,295	-	-
Accounts payables to related parties	3,124	-	-
Other payables (including those due to related party)	581,267	-	-
Lease liability (including the current portion)	3,575	2,693	1,247
Long-term borrowings (including the current portion)	69,884	183,529	88,659

C. The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair Value Information

1. Below are the definitions assigned to each level of valuation technique used to measure the fair value of financial and non-financial assets.

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed shares is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in non-active market is included in Level 3.

2. Financial instruments not measured at fair value

Management of the Group thinks that the carrying amount of financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivables, other receivables, lease liability, and long-term borrowings (including the current portion), is the reasonable approximation of their fair value.

3. Financial and non-financial assets at fair value are classified by nature, characteristic, risk, and fair value level, stated as follows:

(1) The Group classifies its assets and liabilities by their function; stated as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
<u>Recurring fair value</u>				
Equity-based securities measured at fair value through other comprehensive income	\$ 121,987	\$ -	\$ 111,830	\$ 233,817

December 31, 2020	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<u>Recurring fair value</u>				
Equity-based securities measured at fair value through other comprehensive income				
	\$ 54,858	\$ -	\$ 136,989	\$ 191,847

- (2) The techniques and assumptions used to measure fair value are stated as follows:
- A. Financial instruments of which the fair value is marked to market quotations (i.e. level 1 inputs) are stated as follows:

Market quotation	Listed shares Closing price
------------------	--------------------------------

- B. Except for financial instruments with an active market, the fair value of other financial instruments is obtained either based on the valuation technique or by reference to the quotes from counter-parties. Fair value can be obtained by using a valuation technique that refers to the fair value of financial instruments having substantially the same terms and characteristics, or by using other valuation technique, e.g. the one that applies market information available on the consolidated balance sheets date to a pricing model for calculation.
- C. Outputs from the valuation models are estimates and valuation techniques may not be able to reflect all relevant factors of the financial and non-financial instruments held by the Group. Therefore, when needed, estimates from the valuation model would be adjusted for additional parameters, e.g. model risk or liquidity risk.
4. In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value hierarchy.
5. Changes in Level 3 fair value hierarchy are stated as follows for 2021 and 2020:

	2021	2020
	Equity-based securities	Equity-based securities
January 1	\$ 136,989	\$ 126,151
Gains or losses recognized in other comprehensive income		
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	( 24,631 )	11,827
Exchange rate effects	( 528 )	( 989 )
December 31	\$ 111,830	\$ 136,989

6. In 2021 and 2020, there was no transfer into or out of Level 3.
7. Valuation process regarding fair value Level 3 is conducted by the Group's Finance Department, which conducts an independent fair value verification through use of independent data source in order to make the valuation results close to market conditions, and to ensure that the data source is independent, reliable, and consistent with other sources, and that the fair value is adjusted where appropriate, thereby ensuring a reasonable valuation result.
8. The quantitative information on, changes in, and sensitivity analysis of significant unobservable inputs used in Level 3 fair value measurement are stated as follows:

Fair value at	Valuation	Significant	Range	Relationship
---------------	-----------	-------------	-------	--------------

	December 31, 2021	technique	unobservable inputs	(weighted average)	between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 111,830	Public company comparables	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at December 31, 2020	Valuation technique	Significant unobservable inputs	Range (weighted average)	Relationship between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	\$ 136,989	Public company comparables	Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value.

9. The Group elects to adopt valuation models and valuation parameters under prudential consideration. Nonetheless, this does not preclude the differences arising from adoption of different valuation models or parameters. If valuation parameters change, financial assets classified as Level 3 will have effects on other comprehensive income, stated as follows:

		December 31, 2021				
				Recognized in other comprehensive income (OCI)		
		Recognized in P/L		Favorable	Unfavorable	
		Favorable	Unfavorable	changes	changes	
		changes	changes			
	Input	Changes				
Financial Assets						
Equity instruments	\$ 139,787	±1%	\$ -	\$ -	\$ 1,661 ( \$ 1,661 )	
		December 31, 2020				
				Recognized in other comprehensive income (OCI)		
		Recognized in P/L		Favorable	Unfavorable	
		Favorable	Unfavorable	changes	changes	
		changes	changes			
	Input	Changes				
Financial Assets						
Equity instruments	\$ 182,651	±1%	\$ -	\$ -	\$ 1,709 ( \$ 1,709 )	

#### (IV) Other Matters

In response to the pandemic alert system for COVID-19 and multiple pandemic prevention measures taken by the government, the Group has also adopted and upheld necessary measures to address the issues brought by the pandemic. A careful assessment conducted by the Group has led to the conclusion that the pandemic has no significant influence on the Group's ability to continue as a going concern, asset impairment, and financial risks.

### XIII. Additional Disclosures

#### (I) Information on Significant Transactions

1. Loaning Funds to Others: Refer to Table 1.

2. Provision of Endorsements and Guarantees: Refer to Table 2.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies, and the Control Portion in a Joint Venture): Refer to Table 3.
4. Accumulative Purchase or Disposal of the Same Marketable Securities that Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.
5. Acquisition of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: Refer to Table 4.
6. Disposal of Real Property That Reaches NT\$300 Million or 20 Percent or More of Paid-in Capital: None.
7. Transaction with Related Party That Reaches NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 5.
8. Receivables Due from Related Party That Reach NT\$100 Million or 20 Percent or More of Paid-in Capital: Refer to Table 6.
9. Engagement in Derivatives Trading: None.
10. The Business Relationship, Significant Transactions, and Significant Transaction Amount between Parent and Subsidiaries, or among Subsidiaries: Refer to Table 7.

(II) Information on Indirect Investment

Names and Location of Investees (Excluding Those in Mainland China): Refer to Table 8.

(III) Investment in Mainland China

1. Basic Information: Refer to Table 9.
2. Significant Transactions with Investees in Mainland China That Are Invested by the Group, Either Directly, or Indirectly Through Another Entity Outside Taiwan and China: Refer to Table 7.

(IV) Major Shareholder Information

Major Shareholder Information: Refer to Table 10.

XIV. Segment Information

(I) General Information

The Group engages in a single industry; the Group's Board of Directors evaluates the performance of, and allocates resources to, the Group as a whole. As such, the Group identifies itself to be a single reporting segment.

(2) Segment Information

Information on reportable segment provided to the main operating decision makers:

	2021	2020
Segment revenue	\$ 6,165,281	\$ 4,478,004
Segment gross profit	\$ 2,135,564	\$ 1,459,493
Segment profit or loss	\$ 1,391,313	\$ 869,418
Discount and amortization	\$ 396,955	\$ 306,568
Income tax expenses	\$ 194,248	\$ 134,747
	December 31, 2021	December 31, 2020
Segment assets	\$ 9,605,492	\$ 6,175,845
Segment liabilities	\$ 3,382,901	\$ 2,609,961

(III) Reconciliation of Segment Profit or Loss

Reconciliation is not required because the profit or loss information on the reporting segment that was provided to the main operating decision makers is consistent with that prepared and disclosed in the financial statements.

(IV) Types of Products and Services

Revenue from external customers mainly derives from sale of products, e.g. electronic parts, magnetic cores, multilayer products, and other wire-wounds products; components of revenue are presented as follows:

	2021	2020
Wire-Wound Products	\$ 3,937,194	\$ 3,064,957
Multilayer Products	1,051,952	901,111
LAN transformer	1,143,122	480,948
Others	33,013	30,988
Total	<u>\$ 6,165,281</u>	<u>\$ 4,478,004</u>

(V) Geographical Information

The Group's revenue classified by geographic area for 2021 and 2020 is disclosed as follows:

	2021		2020	
	Revenue	NONCURREN T ASSETS	Revenue	NONCURRENT ASSETS
Taiwan	\$ 1,384,299	\$ 2,560,692	\$ 952,402	\$ 1,044,408
Mainland China	3,461,744	2,059,125	2,735,124	1,588,223
Hong Kong	709,812	-	352,226	-
Singapore	193,096	-	137,892	-
Others	416,330	-	300,360	-
Total	<u>\$ 6,165,281</u>	<u>\$ 4,619,817</u>	<u>\$ 4,478,004</u>	<u>\$ 2,632,631</u>

Note: Revenue is classified by the country where goods are shipped.

(VI) Information on Major Clients

The Group's major clients for 2021 and 2020 are disclosed as follows:

	2021		2020	
	Amount	%	Amount	%
Name of Clients			Name of Clients	
Clients A	\$ 782,986	13	Clients A	\$ 479,082
				11

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Loans of funds to others

January 1 to December 31, 2021

Table 1

Unit: NT\$ thousand

(unless otherwise specified)

No.	Lending company	Borrowing party	Transaction item	Whether it is a related party	Highest balance of current period	Ending balance	Amount actually drawn	Interest rate range	Nature of loaning of funds	Business transaction amount	Reason for necessary short-term financing	Allowance for impairment	Collaterals	Loan and limit for individual borrower (Note)	Total limit of loaning of funds to others (Note)	Remarks	
												Loss	Name	Value			
1	Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Other receivables	Yes	\$ 57,070 (USD 2,000 thousand)	\$ 55,360 (USD 2,000 thousand)	\$ 35,984 (USD 1,300 thousand)	2.40%	Short-term financing fund	\$ -	Business revolving fund	\$ -	-	\$ -	\$2,146,378	\$2,146,378	
1	Fixed Rock Holding Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Other receivables	Yes	\$ 85,605 (USD 3,000 thousand)	\$ 83,040 (USD 3,000 thousand)	\$ -	-	Short-term financing fund	\$ -	Business revolving fund	\$ -	-	\$ -	\$2,146,378	\$2,146,378	
2	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Other receivables	Yes	\$ 174,311 (RMB 40,000 thousand)	\$ 173,659 (RMB 40,000 thousand)	\$ 173,659 (RMB 40,000 thousand)	3.35%~3.8%	Short-term financing fund	\$ -	Business revolving fund	\$ -	-	\$ -	\$ 819,756	\$ 819,756	

Note: The total amount of loaning of funds to others of the Company shall not exceed 40% of the net worth of the Company, and the amount of loaning of fund to an individual company or firm shall not exceed 20% of the net worth of the Company. The total amount of loaning of funds between subsidiaries with more than 100% of voting shares directly and indirectly by the Company shall not exceed the net worth.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Endorsements/guarantees  
January 1 to December 31, 2021

Table 2

Unit: NTS thousand  
(unless otherwise specified)

No.	Endorsed/guaranteed party name			Limits on endorsement/guarantee amount provided to each guaranteed party (Note)	Balance of maximum amount of endorsement/guarantee of the period	Ending balance of endorsement/guarantee	Amount	Amount collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum amount of endorsement/guarantee allowance (Note)	Endorsement/guarantee provided by parent company to subsidiary	Endorsement/guarantee provided by parent company to subsidiary	Endorsement/guarantee provided to Mainland China	Remarks
	Endorsement/guarantee provider	provider	Relationship											
0	Tai-Tech Advanced Electronics Co., Ltd.	Fixed Rock Holding Ltd.	Subsidiary	\$ 2,489,036	\$199,745 (USD7,000 thousand)	\$110,720 (USD4,000 thousand)	\$ -	\$ -	1.78%	\$ 3,111,296	Yes	No	No	
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Subsidiary	\$ 2,489,036	\$285,350 (USD10,000 thousand)	\$138,400 (USD5,000 thousand)	\$96,880 (USD3,500 thousand)	\$ -	2.22%	\$ 3,111,296	Yes	No	Yes	
0	Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Subsidiary	\$ 2,489,036	\$57,070 (USD2,000 thousand)	\$55,360 (USD2,000 thousand)	\$ -	\$ -	0.89%	\$ 3,111,296	Yes	No	Yes	

Note: The total amount of endorsements/guarantees shall not exceed 50% of the net worth of the Company. The amount of endorsements/guarantees made for one single enterprise shall not exceed 40% of the net worth of the Company.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies and the Control Portion in a Joint Venture)

December 31, 2021

Table 3

Unit: NTS thousand  
(unless otherwise specified)

<u>Holding company name</u>	<u>Marketable securities types and name</u>	<u>Relationship with issuer</u>	<u>Financial statement account</u>	<u>Number of shares (in thousands)</u>	<u>End of period</u>		<u>per unit</u>	<u>Remarks</u>
					<u>Carrying amount</u>	<u>Shareholdings Percentage</u>		
Tai-Tech Advanced Electronics Co., Ltd.	All Ring Tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income acquired - non-current	615	\$ 75,337	1%	\$ 75,337	Unpledged
Tai-Tech Advanced Electronics Co., Ltd.	Gigabyte Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income acquired - non-current	300	\$ 46,650	0.05%	\$ 46,650	Unpledged
Best Bliss Investments Limited	Superworld Holdings (S) PTE. LTD.	Other related party	Financial assets at fair value through other comprehensive income acquired - non-current	2,000	\$ 111,830	10%	\$ 111,830	Unpledged

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more  
January 1 to December 31, 2021

Table 4

Unit: NT\$ thousand  
(unless otherwise specified)

<u>Company acquiring real property</u>	<u>Property name</u>	<u>Date of occurrence (Note 2)</u>	<u>Transaction amount</u>	<u>Payment status</u>	<u>Transaction counterparty</u>	<u>Relationship</u>	<u>Where the transaction counterparty is a related party, information on the previous transfer is as follows</u>				<u>Reference for price determination</u>	<u>Purpose of acquisition and other agreements</u>	<u>Relevant matters</u>
							<u>Owner</u>	<u>Relationship with the issuer</u>	<u>Date of transfer</u>	<u>Amount</u>			
Tai-Tech Advanced Electronics Co., Ltd.	Industrial land and facility	2021.05.25	\$ 729,980	729,980	Leading Inc.	Non-related party	N/A	N/A	N/A	N/A	Basis (Note 1) Appraisal amount of professional appraisal institution and market price, etc.	Installation of new product production line and expansion of production capacity for popular products	

Note 1: For assets acquired requiring appraisal, it is necessary to indicate the appraisal results in the "Reference basis for price determination."

Note 2: The date of occurrence refers to the any one of the following dates of transaction contract signing date, payment day, commissioning date, transfer date, board resolution date or other dates where the transaction counterparty and transaction amount are confirmed.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Transaction with Related Party That Reaches NT\$100 Million or 20% or More of Paid-in Capital

January 1 to December 31, 2021

Table 5

Unit: NT\$ thousand

(unless otherwise specified)

<u>Company of purchase (sale)</u>	<u>Transaction party name</u>	<u>Relationship</u>	<u>Purchase (Sale)</u>	<u>Transaction Details</u>			<u>Abnormal Transaction and Reason</u>		<u>Notes/Accounts Receivable (Payable)</u>		<u>Remarks</u>
				<u>Amount</u>	<u>Percentage of total purchase (sale)</u>	<u>Payment terms</u>	<u>Unit price</u>	<u>Payment terms</u>	<u>Balance</u>	<u>Percentage of total notes/accounts receivable (payable)</u>	
Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Parent company-sub subsidiary	Sale	(170,423)	4%	Note 1	Note 1	-	188,514	10%	
Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Parent company-sub subsidiary	Sale	(826,801)	17%	Note 1	Note 1	-	391,593	20%	
Tai-Tech Advanced Electronics Co., Ltd.	Superworld Electronics (S) Pte. Ltd.	Other related party	Sale	(330,297)	7%	Note 2	Note 2	-	124,011	6%	
Tai-Tech Advanced Electronics Co., Ltd.	Tai-Tech Advanced Electronics (S) Pte. Ltd.	Other related party	Sale	(160,437)	3%	Note 2	Note 2	-	81,328	4%	
TAI-TECH Advanced Electronics (Kunshan)	Tai-Tech Advanced Electronics Co., Ltd.	Parent company-sub subsidiary	Sale	(883,001)	56%	Note 1	Note 1	-	297,244	49%	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Tai-Tech Advanced Electronics Co., Ltd.	Parent company-sub subsidiary	Sale	(1,551,141)	39%	Note 1	Note 1	-	712,150	43%	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Associate	Sale	(471,774)	12%	Note 1	Note 1	-	174,551	10%	

Note: 1. Transaction price adopts the general rules for the payment receipt period agreed upon by both parties.

Note: 2. Transaction price and the payment receipt period adopts the general rules.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Receivables Due from Related Party That Reach NT\$100 Million or 20% or More of Paid-in Capital  
December 31, 2021

Table 6

Unit: NT\$ thousand  
(unless otherwise specified)

<u>Company of accounts receivable recognized</u>	<u>Transaction party name</u>	<u>Relationship</u>	<u>Balance of accounts receivables due from related party</u>	<u>Turnover rate</u>	<u>Overdue amount of accounts receivable from related party Amount</u>	<u>Treatment method</u>	<u>Amounts received in subsequent period</u>	<u>Allowance for Impairment Loss</u>
Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Parent company-subsi-dary	\$ 485,533	2.75	\$ -	-	\$ 111,645	\$ -
Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Parent company-subsi-dary	\$ 188,514	3.74	-	-	43,946	-
TAI-TECH Advanced Electronics (Kunshan)	Tai-Tech Advanced Electronics Co., Ltd.	Parent company-subsi-dary	\$ 297,244	2.98	-	-	71,496	-
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Tai-Tech Advanced Electronics Co., Ltd.	Parent company-subsi-dary	\$ 712,150	2.76	\$ 3,219	Subsequent payment collection	151,966	-
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	Associate	\$ 175,226	2.19	-	-	43,807	-
Tai-Tech Advanced Electronics Co., Ltd.	Superworld Electronics (S) Pte. Ltd.	Other related party	\$ 124,011	3.17	-	-	24,484	57
TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Associate	\$ 176,446		-	-	-	-

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
The Business Relationship, Significant Transactions, and Significant Transaction Amount between Parent and Subsidiaries or among Subsidiaries  
January 1 to December 31, 2021

Table 7

Unit: NT\$ thousand  
(unless otherwise specified)

No. (Note 1)	Name of transaction party	Transaction party	Relationship with transaction party (Note 2)	Item	Transaction details		Percentage of consolidated total revenue or total assets
					Amount	Transaction terms	
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Sales revenue	826,801	Note 3	13%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Accounts Receivable	391,593		4%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Other receivables	93,940		1%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Sale of fixed Asset	95,731	Note 3	1%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Accounts payable	712,150		7%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	1	Purchase	1,551,141	Note 3	25%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	1	Sales revenue	170,423	Note 3	3%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	1	Purchase	883,001	Note 3	14%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	1	Accounts Receivable	188,514		2%
0	Tai-Tech Advanced Electronics Co., Ltd.	TAI-TECH Advanced Electronics (Kunshan)	1	Accounts payable	297,244		3%
1	Fixed Rock Holding Ltd.	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Other receivables	36,684		0%
2	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Purchase	471,774	Note 3	8%
2	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Accounts payable	174,551		2%
2	TAI-TECH Advanced Electronics (Kunshan)	TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	2	Other receivables	175,781		2%

Note 1: The business dealing information between the parent company and subsidiary shall be, respectively, indicated in the numbering column and there are two types of number filling methods as follows:

- (1) Fill in "0" for the parent company.
- (2) Subsidiaries are listed in sequential order starting from Arabic number of "1"

Note 2: There are two types of relationship with the transaction party as follows:

(1) Parent company to subsidiary

(2) Subsidiary to parent company

Note 3: Transaction price adopts the general rules for the payment receipt period agreed upon by both parties.

Note 4: The disclosure standard for the business relationship and material transaction details between the parent and subsidiary for the period of January 1 to December 31, 2021 is NT\$10 million and above

Tai-Tech Advanced Electronics Co., Ltd.

Names and Location of Investees (Excluding those in Mainland China)

January 1 to December 31, 2021

Table 8

Unit: NT\$ thousand  
(unless otherwise specified)

Name of Investor	Name of Investee	Location	Main business	Initial investment amount		End of term holding			Current profit/loss of investee	Current investment profit/loss recognized	Remarks
				End of current period	End of last year	Number of shares (in thousands)	percentage	Carrying amount			
Tai-Tech Advanced Electronics Co., Ltd.	North Star International Limited	SAMOA	Re-invested business	\$ 3,459	\$ 3,459	100	100%	78,552	171	171	
Tai-Tech Advanced Electronics Co., Ltd.	Best Bliss Investments Limited	Cayman Islands	Re-invested business	1,075,284	1,075,284	34,250	100%	3,146,613	471,519	475,867	
Best Bliss Investments Limited	Fixed Rock Holding Ltd.	Mahe Seychelles	Re-invested business	890,624 (US 29,784 thousand)	862,944 US\$28,784 thousand	26,450	100%	2,148,713	352,077	352,077	

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries  
Information on Investments in Mainland China - Basic Information

January 1 to December 31, 2021

Table 9

Unit: NT\$ thousand  
(unless otherwise specified)

Name of investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period (Note 7)	Current profit/loss of investee	Ownership percentage of direct or indirect investment	Current profit/loss recognized (Note 3)	Carrying amount at end of the period (Note 3)	Accumulated repatriation of investment income as of end of current period	Remarks
					Outward remittance	Repatriation							
TAI-TECH Advanced Electronics (Kunshan)	Production, processing and sale of electronic components	USD11,935 thousand	Investment in Mainland China through a company invested and established in a third region (Note 1)	\$ 352,249 (USD10,914 thousand)	\$ -	\$ -	\$ 352,249 (USD10,914 thousand)	\$ 73,589	100%	\$ 73,589	\$ 819,756	\$ -	
TAIPAQ Electronic Components (Si-Hong) Co., Ltd.	Production, processing and sale of electronic components	USD34,156 thousand	Investment in Mainland China through a company invested and established in a third region (Note 2)	600,232 (USD18,821 thousand)	-	-	600,232 (USD18,821 thousand)	380,781	100%	380,781	2,277,439	-	
provider				Accumulated outward remittance for investment in China region at end of the period (Note 4, Note 5)	Investment amount approved by Investment Commission, MOEA (Note 6)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA							
Tai-Tech Advanced Electronics Co., Ltd.				\$ 1,412,662 (US 44,343 thousand)	\$ 1,227,414 (US 44,343 thousand)	\$ 3,733,555							

Note 1: 100% invested by Best Bliss Investments Limited

100%.

Note 2: Best Bliss Investments Limited and Fixed Rock Holding Ltd. hold 7.48% and 92.52%, respectively.

Note 3: The parent company's CPA in Taiwan audited the financial report.

Note 4: The Company liquidated TAI-TECH Advanced Electronics (Dongguan) in 2015 and the accumulated investment loss amount is USD 1,513 thousand.

Note 5: NTD is calculated based on the historical exchange rate.

Note 6: NTD is calculated based on rate of the balance sheet date

Note 7: The third-place proprietary fund and debt-equity swap investment amount are excluded.

Tai-Tech Advanced Electronics Co., Ltd. and Subsidiaries

Major Shareholder Information

December 31, 2021

Table 10

	<u>Shares</u>
<u>Major shareholders</u>	<u>Number of shares held</u>
	<u>Shareholdings Percentage</u>
Superworld Holdings (S) Pte. Ltd. investment account under custody of First Commercial Bank	10,207,649
Hengyang Investment Co., Ltd.	6,467,995
Northwest Investment Co., Ltd.	6,121,718
	9.89%
	6.27%
	5.93%

Explanation: The Company obtains the information of this table from the Taiwan Depository and Clearing Corporation:

(1) This table is based on the information provided by the Taiwan Depository and Clearing Corporation for shareholders holding greater than 5% of the shares completed the process of registration and book-entry delivery in dematerialized form (including treasury stocks) of the Company at the last business date of each quarter.

There may be a discrepancy in the number of shares recorded on the Company's financial statements and its dematerialized securities arising from the difference in basis of preparation.

(2) For the table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, including their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System (MOPS) website. Information on equity is available on the MOPS website.